

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF ONAWA, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

PREPARED BY THE
OFFICE OF THE CITY CLERK

CITY OF ONAWA, IOWA
TABLE OF CONTENTS
JUNE 30, 2010

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1 – 4
GFOA Certificate of Achievement	5
Organizational Chart	6
City Officials	7
Appointed Boards and Commissions	8
Council Standing Committees	9
City Personnel	10

FINANCIAL SECTION

Independent Auditors' Report	11 - 12
Management's Discussion and Analysis	13 - 21

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Assets	22
Statement of Activities	23 - 24

Governmental Fund Financial Statements:

Balance Sheet – Governmental Funds	25 - 26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28 – 29
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	30
Combining Statement of Net Assets Proprietary Funds	31 - 32
Combining Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds	33 - 34
Combining Statement of Cash Flows Proprietary Funds	35 - 38
Notes to Financial Statements	39 - 55

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information	56 - 59
--	---------

SUPPLEMENTAL INFORMATION:

Governmental Nonmajor Funds:

Combining Balance Sheet	60 - 61
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	62 - 63

Internal Service Funds:

Combining Statement of Net Assets	64
Combining Statement of Revenues, Expenditures, and Changes In Net Assets	65
Combining Statement of Cash Flows	66

CITY OF ONAWA, IOWA
TABLE OF CONTENTS
JUNE 30, 2010

STATISTICAL SECTION	<u>Page</u>
Contents of Statistical Section	67
Government-Wide Net Assets by Component	68 - 69
Changes in Net Assets	70 - 73
Fund Balances of Governmental Funds	64 - 75
Changes in Fund Balances of Governmental Funds	76 - 77
General Government Expenditures By Function – General, Special Revenue Debt Service and Capital Projects Funds	78
General Government Revenues By Source – General, Special Revenue Debt Service and Capital Projects Funds	78
Property Tax Levies and Collections	79 - 80
Assessed and Taxable Value of Property	79 - 80
Property Tax Rates and Tax Levies – Direct and Overlapping Governments	81 - 82
Special Assessment Collections	83
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita.....	84
Legal Debt Margin Information	85 - 86
Computation of Legal Debt Margin	85 - 86
Computation of Direct and Overlapping Debt.....	87
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	87
Demographic Statistics	88
Property Value, Construction, and Bank Deposits	89
Principal Taxpayers.....	89-90
Full-Time Equivalent City Government Employees by Function.....	91
Principal Employers.....	92
Operating Indicators by Function	93 - 94
Capital Asset Statistics by Function.....	95 - 96
Miscellaneous Statistics	97
 COMMENTS AND RECOMMENDATIONS:	
Schedule of Findings and Questioned Costs	98 - 101
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.....	102 - 103

INTRODUCTORY SECTION

December 6, 2010

Honorable Mayor and City Council
City of Onawa
Onawa, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Onawa. This report is for the fiscal year ended June 30, 2010. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Henjes, Conner & Williams, P.C.

The City's Department of Accounting prepared our report. Management of the City is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various fund. All disclosures necessary to enable the reader to gain a complete understanding of the City of Onawa's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of Onawa's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

GAAP requires that management provide an introduction, overview and analysis to accompany the basic financial statement, in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A, found immediately following the report of the City's independent auditors, and should be read in conjunction therewith. The auditors' report is included in the financial section of the report.

PROFILE OF THE CITY OF ONAWA

The City of Onawa was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Monona County on Interstate 29 about 35 miles south of Sioux City, Iowa and 60 miles north of Omaha, Nebraska on the western edge of Iowa. The population is approximately 3100.

The City of Onawa operates under a Mayor-council form of government. One council member is elected from each of the City's four wards and two are elected at-large. The City administrator is responsible for the day-to-day management of the City. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

FINANCIAL INFORMATION

The City of Onawa maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the City are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted a personnel policy that provides guidance as to certain elements of the internal control structure. The employees are updated on changes to these ethics and personnel policies to stress that internal control are an important element of the public's trust. The City has incorporated the personnel policy in the training of all employees and elected officials.

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by fund are provided in the fund subsection of this report for all funds requiring an appropriated annual budget, and summarized in the notes to the financial statements.

State laws require audits for cities such as Onawa to be conducted by the auditor of state or by certified public accountants. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget's Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the City, and accuracy of the City's accounts and reports. The audit report is contained the Financial Section which follows.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. The City of Onawa is the largest City in Monona County, and also the County Seat. Onawa offers a convenient small town atmosphere while being only a 30 minute drive to a large metropolitan area.

The City's downtown as well as other areas of town continue to see improvements to buildings through the grant program established several years ago. The program gives a business that qualifies and spends money to remodel or improve the exterior of their building a \$2,500 forgivable grant and a \$2,500 loan from the Community Foundation.

Local health care continues to improve with the Burgess Health Center started a new construction project of approximately \$10 million in 2005. This project was completed in 2008. The project added additional beds to the center as well as additional space for several departments to offer the residents of Onawa access to the best health care.

The City experienced a decrease in local option sales and use tax of 1.06% from fiscal 2008-2009 to 2009-2010. The local option sales tax is used for economic development (10%), infrastructure (15%) and property tax relief (75%). This increase demonstrates a stable economy especially when the country as a whole is experiencing a down economy.

LONG-TERM FINANCIAL PLANNING

The city is finishing its work on a five year comprehensive plan for the future direction of the City, including the City's goals for the community and economic development. Included in the plan is a capital improvement plan which includes all improvements of the City. This plan would address all of City's improvement projects including all governmental and enterprise functions. The plan also incorporated the vision of the Monona County Economic Development to establish a industrial park east of Onawa.

The Utility Department is currently finishing the contract on completion of the updated water treatment plant. The estimated cost of the project is \$2,300,000 with the project to be financed by a grant and \$2,000,000 from a State Revolving Loan Fund. The estimated completion date of this project is fiscal year 2011 – 2012.

The Utility Department has entered into a contract to upgrade the electrical system for a portion of the City. The upgrade would include replacing the overhead lines with an underground system at an estimated cost of \$900,000. This project is to be financed by cash reserves and an I-Jobs grant and is to be completed in fiscal year 2010 – 2011.

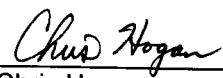
The city entered into a contract to build the new fire station for an estimated cost of \$1,100,000. This will be financed by \$650,000 of general obligation bonds and a reimbursement from TIF revenues for the remainder.

AWARDS AND ACKNOWLEDGMENTS

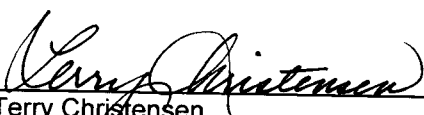
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Onawa for its comprehensive annual financial report (CAFR) for the year ended June 30, 2009. In order to receive this award, the City must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2010 annual financial report to GFOA for review to determine its eligibility for an award.

The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and City council for their support and interest in the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Chris Hogan
City Clerk



Terry Christensen
Deputy Clerk

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Onawa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



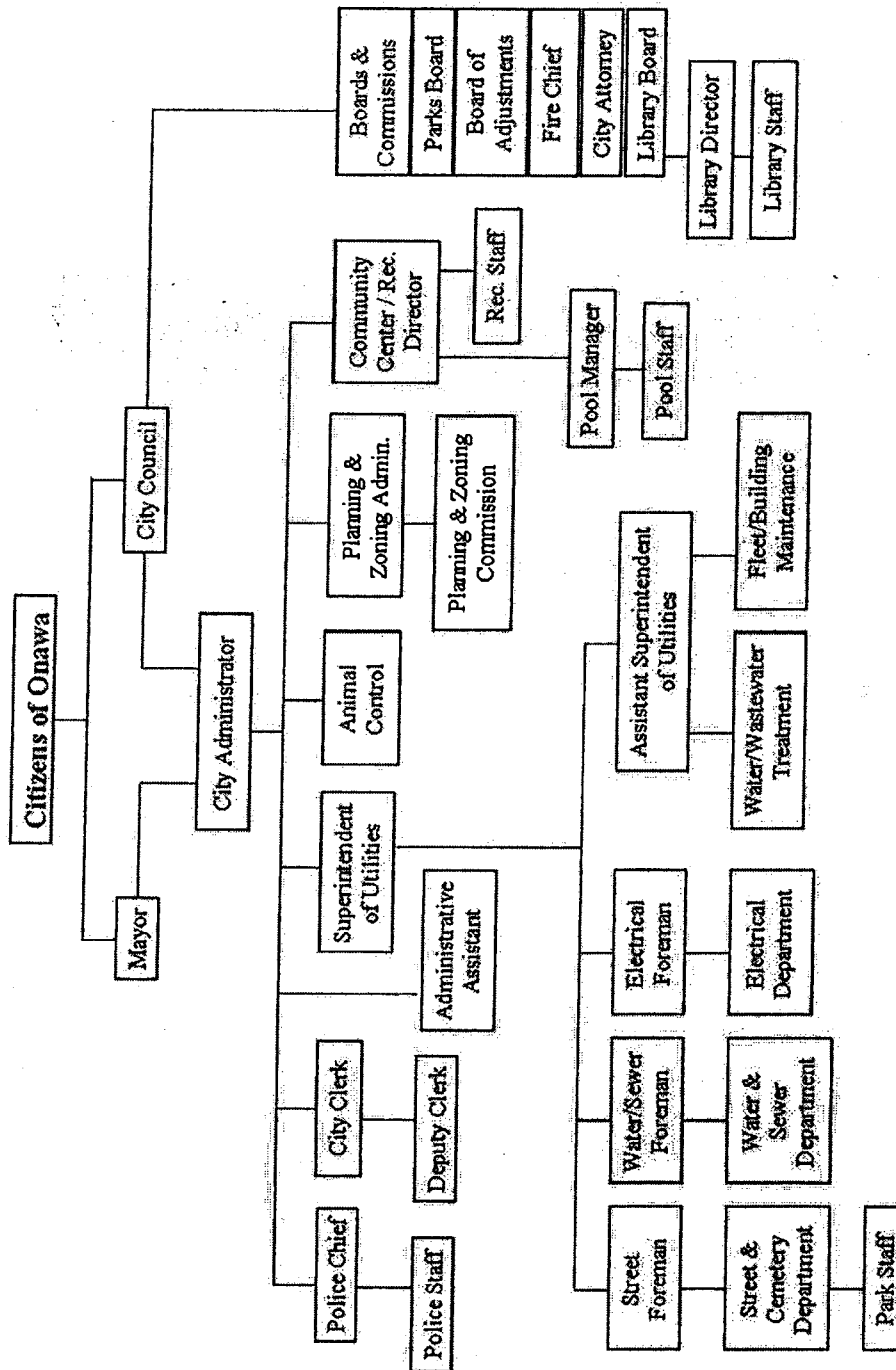
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

City of Onawa Organizational Chart



CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2010

ELECTED CITY OFFICERS

<u>Name</u>	<u>Title</u>
Bob Skelton	Mayor
Lonnie Campbell	Mayor Protem
Dennis Nelson	Council Member
Tim Coyle	Council Member
Aaron Stangel	Council Member
Rick Moser	Council Member
John Noer	Council Member

APPOINTED CITY OFFICERS

Larry Burks	City Administrator
Chris Hogan	City Clerk
Mike Schmiedt	Attorney
Sundquist Engineering	City Engineer

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2010

ONAWA PARKS AND PLAYGROUNDS

Jill Hausman
Lisa Meadows
Clint Lamb
June Delashmutt

PLANNING AND ZONING BOARD

Roger Hansen
Jim Kelley
Ken Wingert
Bob Lesenyie
John Stroeh
Rebecca Tanner

HEALTH OFFICER

Family Medicine Clinic

WIMECA BOARD DIRECTOR

Wayne Gries

LOW RENT HOUSING

Linda Gunderson
Ruth Johnson
Jerry Laffey
Myron Johnson
Beau Hupke

LAW ENFORCEMENT AGENCY

John Noer, Alternate
Bob Skelton, Mayor
Rick Moser

SIMPCO

Bob Skelton
Lonnie Campbell, Alternate

PERSONNEL COMMITTEE

Rick Moser
Gary Addy
Vince Phillips
Tim Coyle
City Administrator
John Noer
Jeff Sander
Dennis Nelson

LIBRARY TRUSTEES

Ann Coberly
Dianne Kelley
William Wonder
Matt Minihan
Geri Johnson

BOARD OF ADJUSTMENTS

Joe Scurlock
Randy Cass
Sandy Simpson
Larry Duval
Jim Johnson

FIRE CHIEF

Jeff Sander

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

STREET TREE COMMITTEE

Larry Duval
Ano Wilkins
Reta Benson
Brett Ewing

AIRPORT ADVISORY COMMITTEE

Rick Moser
Baynard Willey
Jeff Sander
Ed Weiner
Aaron Stangel
Tim Coyle
Fran Tramp
Vincent Willey
William Wonder

CITY OF ONAWA, IOWA

COUNCIL STANDING COMMITTEES

JUNE 30, 2010

FINANCE

Lonnie Campbell
Dennis Nelson
Tim Coyle
Bob Skelton, Alternate

GOVERNMENT AFFAIRS

Lonnie Campbell
Rick Moser
John Noer

CITIZEN RELATIONS

Dennis Nelson
Aaron Stangel
John Noer

COMMUNITY PROTECTION/SERVICES

Aaron Stangel
John Noer
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

John Noer
Dennis Nelson
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2010

ADMINISTRATION

Larry Burks
Chris Hogan
Terry Christensen
Elaine Miller

City Administrator
City Clerk
Deputy Clerk
Administrative Assistant

POLICE DEPARTMENT

Gary Addy
Joe Farrens – retired 3/31/10
Jon Pinkelman
James Fouts
Lee Kirkpatrick, Jr.
Kyle Tank
Darin Specketer – hired 8/1/10

Police Chief
Assistant Chief
Patrolman
Patrolman
Patrolman
Patrolman
Patrolman

STREETS AND CEMETERY

Randy Larson
Dave Fender
Kirk Kreger

Superintendent Street & Sexton
Street & Cemetery Crewman
Street & Cemetery Crewman

MUNICIPAL BUILDINGS

Rod Ulven

Maintenance Shop Supervisor

UTILITIES

Jeff Sander
Roger Gries
Vincent Phillips
Robert Walker
Curtis Richardson
Jon Towne – retired 8/31/10
George Carrier
Carl Lamb
David Richardson

Superintendent of Utilities
Assistant Superintendent
Electric Foreman
Electric Crewman
Electric Crewman
Waste Water Treatment
Water/Sewer Crewman
Water/Sewer Foreman
Water/Sewer Crewman

LIBRARY

Lori Beck
Chris Zink / Caleb Kuhlmann
Jo Keitges / Sally Towne
Ann Crawford / Margaret Blatchford
Samantha Beck / Elicia Towne
Kayla Beck / Katherine Keitges

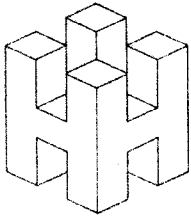
Librarian
Part-time Clerk
Part-time Clerk
Part-time Clerk
Part-time Clerk
Part-time Clerk

COMMUNITY CENTER

Clint Weaver
Peggy Rolph
Abby Gray
Richard Wade
Melissa Gibson
Carissa Meadows

Director
Part-time Staff
Part-time Staff
Part-time Staff
Part-time Staff
Part-time Staff

FINANCIAL SECTION



HENJES, CONNER &
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

800 FRANCES BUILDING
505 FIFTH STREET
P.O. BOX 1528
SIOUX CITY, IOWA 51102

PH. (712) 277-3931
(800) 274-3931
FAX (712) 233-3431

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Onawa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Onawa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Onawa, Iowa at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2010, on our consideration of the City of Onawa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 13 through 21 and 56 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Onawa, Iowa's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Harjes, Conner, & Williams, P.C.
Certified Public Accountants

Sioux City, Iowa
December 6, 2010

Management Discussion and Analysis

June 30, 2010

This discussion and analysis of the City of Onawa financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2010. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

Financial Highlights:

- The assets of the City of Onawa exceeded liabilities at June 30, 2010, by \$14,991,386. Of this amount, \$5,457,344 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by .27% or \$40,965 during the year. Of this amount, the net assets of our Governmental Activities increased \$152,201 and the net assets of our Business Activities decreased \$111,236.
- The largest factors in the increase in net assets were the increase in infrastructure, property, and equipment of \$573,876, the increase in Investment in WIMECA of \$172,153, decrease in General Obligation Bonds of \$175,000, and an offsetting decrease in Cash and Investments of \$484,833.
- The City's long-term debt decreased due to the scheduled retirement of long-term debt. Outstanding General Obligation debt totals \$1,180,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Onawa as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of Onawa's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Governmental Funds

REPORTING THE CITY FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Onawa in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of

Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electrical, Water and Sewer.
- **Component Unit** – The activity of the Onawa Library Advocates Foundation is included here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment

in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2010 and 2009.

	General Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 3,643,520	\$3,848,618	\$ 4,565,878	\$ 4,698,530	\$ 8,209,398	\$ 8,547,148
Capital Assets	6,392,769	6,065,430	3,322,127	3,075,590	9,714,896	9,141,020
Total Assets	10,036,289	9,914,048	7,888,005	7,774,120	17,924,294	17,688,168
Long-Term Debt Outstanding	1,180,000	1,355,000	-	-	1,180,000	1,355,000
Other Liabilities	1,190,497	1,045,457	562,411	337,290	1,752,908	1,382,747
Total Liabilities	2,370,497	2,400,457	562,411	337,290	2,932,908	2,737,747
Net Assets:	7,665,792	7,513,591	7,325,594	7,436,830	14,991,386	14,950,421
Invested in Capital Assets, Net of Related Debt	5,232,130	4,710,430	3,322,127	3,075,590	8,554,257	7,786,020
Restricted	979,785	1,310,684	-	-	979,785	1,310,684
Unrestricted	1,453,877	1,492,477	4,003,467	4,361,240	5,457,344	5,853,717
Total Net Assets	\$ 7,665,792	\$7,513,591	\$ 7,325,594	\$ 7,436,830	\$ 14,991,386	\$ 14,950,421

This summary reflects an increase of 2.03% for the Governmental Activities and a decrease of 1.50% in the Business-Type Activities. The Total Net Assets increased by .27%.

Total revenue reported in Fiscal 2010 was \$5,265,063. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2010 and 2009.

Revenue Source	General Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges of Services	\$ 121,582	\$ 111,958	\$ 3,081,449	\$ 2,800,528	\$ 3,203,031	\$ 2,912,486
Operating Grants and Contributions	406,090	448,699	-	-	406,090	448,699
Capital Grants and Contributions	-	54,741	-	-	-	54,741
Total Program Revenues	527,672	615,398	3,081,449	2,800,528	3,609,121	3,415,926
General Revenues & Interfund Transfers:						
Property Taxes	895,992	885,342	-	-	895,992	885,342
Local Option Sales Tax	193,364	195,433	-	-	193,364	195,433
Interest	46,659	64,522	40,815	60,091	87,474	124,613
General Intergovernmental Revenues	63,012	48,533	-	-	63,012	48,533
Sale of Merchandise			17,854	16,774	17,854	16,774
Payment in Lieu of Taxes	102,418	92,484			102,418	92,484
Miscellaneous	63,404	64,518	229,351	182,902	292,755	247,420
Gain on Sale of Assets	-	13,600	-	-	-	13,600
Total General Revenues before Interfund Transfers and Activity in Endowment Fund	1,364,849	1,364,432	288,020	259,767	1,652,869	1,624,199
Activity in Nonexpendable Endowment Funds						
Interest	2,473	1,642	-	-	2,473	1,642
Contributions	600	825	-	-	600	825
Less Transfers to General Fund	(4,332)	(847)	-	-	(4,332)	(847)
Net Activity in Nonexpendable Endowment Funds	(1,259)	1,620	-	-	(1,259)	1,620
Total General Revenues before Interfund Transfers	1,363,590	1,366,052	288,020	259,767	1,651,610	1,625,819
Interfund Transfers	16,332	12,847	(12,000)	(12,000)	4,332	847
Total General Revenues & Interfund Transfers	1,379,922	1,378,899	276,020	247,767	1,655,942	1,626,666
Total Revenues & Interfund Transfers	\$ 1,907,594	\$ 1,994,297	\$ 3,357,469	\$ 3,048,295	\$ 5,265,063	\$ 5,042,592

Program revenues totaled \$3,609,121 for fiscal year 2010. Governmental Activities provided \$527,672 and Business-Type Activities provided \$3,081,449. Revenue collected for Charges for Services during fiscal year 2010 was \$3,203,031, accounting for 89% of the total program revenues.

General Revenues for fiscal year 2010 totaled \$1,655,942. Governmental Activities provided \$1,379,922 and Business-Type Activities provided \$276,020. Property Tax Revenues for fiscal year 2010 totaled \$895,992, accounting for 54% of General Revenues.

Expenses for Fiscal 2010 totaled \$5,224,098. Expenses for General Governmental Activities totaled \$1,755,393, accounting for 34% of total expenses. Business-Type Activity expenses totaled \$3,468,705, for 66% of the total.

The following table shows total expenses by Function/Program for Fiscal Years 2010 and 2009.

Program Level	General Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Public Safety	\$ 544,259	\$ 531,966	\$ -	\$ -	\$ 544,259	\$ 531,966
Public Works	295,307	223,606	-	-	295,307	223,606
Culture and Recreation	554,150	550,496	-	-	554,150	550,496
Community and Economic Development	104,579	74,567	-	-	104,579	74,567
General Government	204,968	217,204	-	-	204,968	217,204
Debt Service	52,130	57,786	-	-	52,130	57,786
Electric System	-	-	2,522,518	2,315,641	2,522,518	2,315,641
Water System	-	-	360,061	406,944	360,061	406,944
Sewer System	-	-	586,126	579,552	586,126	579,552
Total Expenses	<u>\$ 1,755,393</u>	<u>\$ 1,655,625</u>	<u>\$ 3,468,705</u>	<u>\$ 3,302,137</u>	<u>\$ 5,224,098</u>	<u>\$ 4,957,762</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Interest
Electric System.....	Operation of Electrical System
Sewer System	Operation of the Waste Water Treatment Plant/Collection System
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Internal Service	Payment of Risk Insurance and Health Insurance Deductible

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Culture and Recreation, the City spent \$554,150 and received \$139,456 in revenue, thus leaving a cost to the taxpayer of \$414,694 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Taxes
 Special Assessments
 Licenses and Permits
 Intergovernmental Revenue
 Charges for Services

Fines and Forfeits
 Contributions
 Refunds/Reimbursements
 Grants

The total cost of governmental activities this year was \$1,755,393. Of these costs, \$121,582 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$406,090, leaving a Net Expense of \$1,227,721 for Governmental Activities. These expenses of \$1,227,721 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	6/30/2010	6/30/2009
Governmental Activities:		
Public Safety	\$(500,098)	\$ (495,095)
Public Works	1,470	147,146
Culture and Recreation	(414,694)	(398,754)
Community and Economic Development	(97,836)	(74,567)
General Government	(164,433)	(161,171)
Debt Service	(52,130)	\$ (57,786)
Total Net (Expense) Revenue		
Governmental Activities	(1,227,721)	\$(1,040,227)
General Revenues	1,367,922	1,366,899
Excess of Revenues over Expenses		
Before Transfers in	140,201	326,672
Transfers In	12,000	12,000
Change in Net Assets	<u>\$ 152,201</u>	<u>\$ 338,672</u>

Total resources available during the year to finance governmental operations were \$9,421,185, consisting of Net Assets at July 1, 2009 of \$7,513,591, Program Revenues of \$527,672 and General Revenues of \$1,379,922. Total Governmental Activities during the year expended \$1,755,393; thus, Net Assets were increased by \$152,201 to \$7,665,792.

Business Type Activities

Business Type Activities decreased the City's net assets by \$111,236.

The cost of all Proprietary Activities this year was \$3,468,705. As shown in the Statement of Activities, the amounts paid by users of the systems were \$3,081,449, resulting in total Net Expenses for Business Type Activities of \$387,256. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	2010 Net (Expense) Revenue	2009 Net (Expense) Revenue
Electric System	\$ (366,422)	\$ (436,247)
Water System	(7,027)	(48,635)
Sewer System	(13,807)	(16,727)
Total Net (Expense) Revenue		
Business-Type Activities	(387,256)	(501,609)
General Revenues	288,020	259,767
Deficiency of Revenues Over Expenses Before Transfers	(99,236)	(241,842)
Transfers Out	(12,000)	(12,000)
Change in Net Assets	\$ (111,236)	\$ (253,842)

Total resources available during the year to finance Proprietary Fund activities were \$10,794,299 consisting of Net Assets at July 1, 2009 of \$7,436,830, Program Revenues of \$3,081,449 and General Revenues of \$276,020. Total Proprietary Fund Activities during the year expended \$3,468,705; thus Net Assets decreased by \$111,236 to \$7,325,594.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,192,040. The combined Governmental Funds balance decreased \$296,293 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures exceeded revenues in the General Fund by \$48,837. The General, Tax Increment Financing fund balances decreased \$58,200 due to less taxes collected than expenditures from the TIF district and transfers to street capital projects. The Road Use Tax fund balances decreased \$386,169 due to expenditures for street repairs. The Local Option Sales Tax fund balances increased by \$56,416 due to accumulation of funds for future infrastructure expenditures. Debt Service Funds saw very minimal changes during the year maintaining a fund balance consistent with recent years. The Street Capital Projects had an aggregate increase in fund balances of \$232,207 due to transfers from Road Use Tax Fund of \$413,000 with offsetting expenditures for street repairs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2010 original (adopted) General Fund amount was \$1,380,682 with an amendment of \$60,000 adopted on May 25, 2010. The amended budget for the General fund was \$1,440,682.

The following table shows the General Fund budget variances by program structure:

Expenditures	Budget Amended	Actual (Cash Basis)	Variance
Public Safety	\$ 612,778	\$ 544,923	\$ (67,855)
Public Works	92,750	93,346	596
Culture and Recreation	522,854	517,194	(5,660)
Community and Economic Development	49,000	24,816	(24,184)
General Government	<u>163,300</u>	<u>137,716</u>	<u>(25,584)</u>
 Total Expenditures	 <u>\$ 1,440,682</u>	 <u>\$ 1,317,995</u>	 <u>\$ (142,717)</u>

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements and equipment represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2010, was \$8,534,896 (net of accumulated depreciation and outstanding financings).

The gross additions to capital assets for Fiscal Years 2010 and 2009 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Construction in Progress	\$ 377,116	\$ 26,791	\$ 382,062	-	\$ 759,178	\$ 26,791
Buildings	-	12,570	-	-	-	12,570
Improvements - Other than Buildings	-	-	51,816	\$ 22,485	51,816	22,485
Equipment	173,118	271,315	23,558	88,794	196,676	360,109
Infrastructure	48,053	241,175	-	-	48,053	241,175
	<u>\$ 598,287</u>	<u>\$ 551,851</u>	<u>\$ 457,436</u>	<u>\$ 111,279</u>	<u>\$1,055,723</u>	<u>\$ 663,130</u>

Construction in Progress for governmental activities consisted of costs associated with the capital projects in the Public Works and Public Safety Programs.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$1,180,000 of debt outstanding. This is a decrease of \$185,000 from the prior year due to the retirement of General Obligation Bonds.

Debt administration is on track, with 100% of all City debt repaid within the next 9 years. This rapid repayment, when used with TIF, has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$5,142,102. With outstanding General Obligation Debt applicable to this limit of \$1,180,000, we are utilizing less than 23% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Onawa continues to work hard to maintain a positive approach to growth and development. Continued improvement in downtown façade and the addition to the library continues to make a positive effect on the City's image.

The General Fund is projected to end fiscal 2011 with a fund balance of approximately \$1,642,000, a 3.00% decrease from fiscal 2010.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2011 are provided below:

General Levy	\$ 8.10
Civic Center Levy	.135
Library Levy	.270
Debt Service levy	2.06548
FICA, IPERS & Employee Benefits	1.87545
Tort Liability levy	<u>0.98324</u>
Total	\$ <u>13.42917</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-433-1181.

BASIC FINANCIAL STATEMENTS

CITY OF ONAWA, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Onawa Library Advocates Foundation
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 497,069	\$ 177,763	\$ 674,832	\$ 10,052
Investments	1,250,959	1,796,459	3,047,418	15,250
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	323,212	323,212	-
Taxes	18,906	-	18,906	-
Subsequent Year Taxes	976,437	-	976,437	-
Accrued Interest	21,044	10,869	31,913	-
Other	14,929	5,177	20,106	-
Special Assessments	60,203	-	60,203	-
Subsequent Year Special Assessments	128,929	-	128,929	-
Due from Other Governments	66,153	-	66,153	-
Inventories	-	250,934	250,934	-
Prepaid Assets	58,573	24,534	83,107	-
Temporary Cash Investments for Equipment	530,957	166,718	697,675	-
Investment in WIMECA	-	1,762,963	1,762,963	-
Total Current Assets	3,624,159	4,518,629	8,142,788	25,302
Non-Current Assets:				
Restricted Assets - Cash	-	47,249	47,249	-
Unamortized Bond Issue Cost	7,758	-	7,758	-
Unamortized Bond Discount	11,603	-	11,603	-
Land	417,239	9,050	426,289	-
Construction in Progress	420,387	382,062	802,449	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,555,143	2,931,015	8,486,158	-
Total Non-Current Assets	6,412,130	3,369,376	9,781,506	-
Total Assets	10,036,289	7,888,005	17,924,294	25,302
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	138,258	215,766	354,024	-
Accounts Payable-Construction	-	198,024	198,024	-
Accrued Wages and Benefits	25,795	27,946	53,741	-
Accrued Expenses	629	2,686	3,315	-
Accrued Interest Payable	3,890	-	3,890	-
Deferred Revenue - Subsequent Year Taxes	976,437	-	976,437	-
Bonds Payable due within one year	185,000	-	185,000	-
Customer Deposits	-	47,249	47,249	-
Compensated Absences due within one year	10,602	14,686	25,288	-
Total Current Liabilities	1,340,611	506,357	1,846,968	-
Non-Current Liabilities:				
Bonds Payable due in more than one year	995,000	-	995,000	-
Other Postemployment Benefits	3,083	-	3,083	-
Compensated Absences due in more than one year	31,803	56,054	87,857	-
Total Non-Current Liabilities	1,029,886	56,054	1,085,940	-
Total Liabilities	2,370,497	562,411	2,932,908	-
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	5,232,130	3,322,127	8,554,257	-
Restricted for:				
Debt Service	14,821	-	14,821	-
Local Option Sales Tax Purposes	607,518	-	607,518	-
Road Use Tax Purposes	234,622	-	234,622	-
Endowments:				
Nonexpendable	122,824	-	122,824	-
Unrestricted	1,453,877	4,003,467	5,457,344	25,302
Total Net Assets	\$ 7,665,792	\$ 7,325,594	\$ 14,991,386	\$ 25,302

CITY OF ONAWA, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 544,259	\$ 5,993	\$ 38,168	-
Public Works	295,307	1,200	295,577	-
Culture and Recreation	554,150	73,854	65,602	-
Community and Economic Development	104,579	-	6,743	-
General Government	204,968	40,535	-	-
Debt Service	52,130	-	-	-
Total Governmental Activities	<u>1,755,393</u>	<u>121,582</u>	<u>406,090</u>	<u>-</u>
Business-Type Activities:				
Electric System	2,522,518	2,156,096	-	-
Water System	360,061	353,034	-	-
Sewer System	586,126	572,319	-	-
Total Business-Type Activities	<u>3,468,705</u>	<u>3,081,449</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,224,098</u>	<u>\$ 3,203,031</u>	<u>\$ 406,090</u>	<u>-</u>
Component Unit:				
Onawa Library Advocates Foundation	<u>\$ 1,348</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues:				
Property taxes				
Local Option Sales Tax				
Interest				
General Intergovernmental Revenues				
Sale of Merchandise				
Payment in Lieu of Taxes				
Miscellaneous				
Contributions				
Interfund Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit Onawa Library Advocates Foundation
	Business-Type Activities	Total	
\$ (500,098)		\$ (500,098)	
1,470		1,470	
(414,694)		(414,694)	
(97,836)		(97,836)	
(164,433)		(164,433)	
(52,130)		(52,130)	
<u>(1,227,721)</u>		<u>(1,227,721)</u>	
	\$ (366,422)	(366,422)	
	(7,027)	(7,027)	
	(13,807)	(13,807)	
	<u>(387,256)</u>	<u>(387,256)</u>	
<u>(1,227,721)</u>	<u>(387,256)</u>	<u>(1,614,977)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	\$ <u>(1,348)</u>
895,992	-	895,992	-
193,364	-	193,364	-
49,132	40,815	89,947	250
63,012	-	63,012	-
-	17,854	17,854	-
102,418	-	102,418	-
63,404	229,351	292,755	-
600	-	600	4,915
12,000	(12,000)	-	-
<u>1,379,922</u>	<u>276,020</u>	<u>1,655,942</u>	<u>5,165</u>
152,201	(111,236)	40,965	3,817
7,513,591	7,436,830	14,950,421	21,485
<u>\$ 7,665,792</u>	<u>\$ 7,325,594</u>	<u>\$ 14,991,386</u>	<u>\$ 25,302</u>

CITY OF ONAWA, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 278,003	-	-	\$ 76,789
Investments	879,464	-	\$ 251,995	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	12,076	\$ 1,983	-	-
Subsequent Year Taxes	583,267	143,980	-	-
Accrued Interest	19,838	-	-	-
Other	13,271	-	-	-
Special Assessments	60,040	-	-	-
Subsequent Year Special Assessments	127,486	-	-	-
Due from Other Funds	-	-	-	498,117
Due from Other Governmental Agencies	-	-	17,114	32,612
Temporary Cash Investments Designated for Equipment	530,103	-	854	-
Total Assets	2,503,548	145,963	269,963	607,518
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	76,009	5,953	4,600	-
Accrued Wages and Compensated Absences	19,189	-	6,606	-
Accrued Expenses	629	-	-	-
Due to Other Funds	-	92,564	24,135	-
Deferred Revenue - Subsequent Year Taxes	583,267	143,980	-	-
Deferred Revenue - Subsequent Year Assessments	127,486	-	-	-
Total Liabilities	806,580	242,497	35,341	-
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Endowment	-	-	-	-
Debt Service	-	-	-	-
Unreserved Reported in:				
General Fund	1,696,968	-	-	-
Special Revenue Funds	-	(96,534)	234,622	607,518
Capital Project Funds	-	-	-	-
Total Fund Balances (Deficits)	1,696,968	(96,534)	234,622	607,518
Total Liabilities and Fund Balances	\$ 2,503,548	\$ 145,963	\$ 269,963	\$ 607,518

See Accompanying Notes to Financial Statements

Employee Benefits	Debt Service	2010 Street Capital Project	Other Non-major Governmental Funds	Total Governmental Funds
	\$ 12,008	-	\$ 28,222	\$ 395,022
	-	-	119,500	1,250,959
	-	-	-	-
\$ 2,034	2,813	-	-	18,906
114,445	134,745	-	-	976,437
	-	-	1,206	21,044
	-	-	-	13,271
	-	-	163	60,203
	-	-	1,443	128,929
	-	-	-	498,117
	-	-	16,427	66,153
	-	-	-	530,957
116,479	149,566	-	166,961	3,959,998
	-	\$ 22,836	28,653	138,051
	-	-	-	25,795
	-	-	-	629
22,836	-	218,609	139,973	498,117
114,445	134,745	-	-	976,437
	-	-	1,443	128,929
137,281	134,745	241,445	170,069	1,767,958
	-	-	89,728	89,728
	-	-	33,096	33,096
	14,821	-	-	14,821
	-	-	-	1,696,968
(20,802)	-	-	-	724,804
	-	(241,445)	(125,932)	(367,377)
(20,802)	14,821	\$ (241,445)	(3,108)	2,192,040
\$ 116,479	\$ 149,566	-	\$ 166,961	\$ 3,959,998

CITY OF ONAWA, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds (page 26)	\$	2,192,040
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,392,769
Subsequent year assessments are not available to pay for current period expenditures and are deferred in the funds		128,929
Deficit in Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets.		(14,955)
Internal service fund used by management to fund and maintain the City's deductible account and is included in the statement of net assets.		118,453
Accrued interest expense does not require the use of current financial resources and is not reported in the governmental funds		(3,890)
Bond issue costs and Bond Discounts are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		19,361
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		58,573
The following long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt		(1,180,000)
Other Postemployment Benefits Payable		(3,083)
Compensated Absences Payable		(42,405)
Total Net Assets - Governmental Activities (page 22)	\$	<u>7,665,792</u>

CITY OF ONAWA, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General	TIF	Road Use Tax	Local Option Sales Tax
Revenue:				
Taxes	\$ 571,488	\$ 95,856	-	-
Special Assessments	58,774	-	-	-
Licenses and Permits	37,345	-	-	-
Intergovernmental Revenue	33,271	2,016	\$ 269,415	\$ 193,364
Charges for Services	71,274	-	-	-
Fines and Forfeits	9,773	-	-	-
Contributions	103,770	-	-	-
Interest	46,625	-	-	-
Payment in Lieu of Taxes	102,418	-	-	-
Miscellaneous	61,388	-	1,866	6,743
Total Revenue	1,096,126	97,872	271,281	200,107
Expenditures:				
Public Safety	527,035	-	-	-
Public Works	103,966	-	244,450	-
Culture and Recreation	509,251	-	-	-
Community and Economic Development	24,816	61,072	-	18,691
General Government	128,955	-	-	-
Capital Projects	-	-	-	-
Debt Service				
Principal Retirements	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,294,023	61,072	244,450	18,691
Excess (deficiency) of revenues over expenditures	(197,897)	36,800	26,831	181,416
Other financing sources (uses):				
Transfers In	237,447	-	-	-
Transfers Out	(88,387)	(95,000)	(413,000)	(125,000)
Total other financing sources (uses)	149,060	(95,000)	(413,000)	(125,000)
Net Change in Fund Balance	(48,837)	(58,200)	(386,169)	56,416
Fund Balances (Deficit) Beginning of Year	1,745,805	(38,334)	620,791	551,102
Fund Balances (Deficit) End of Year	\$ 1,696,968	\$ (96,534)	\$ 234,622	\$ 607,518

See Accompanying Notes to Financial Statements

Employee Benefits	Debt Service	2010 Street Capital Project	Other Non-major Governmental Funds	Total Governmental Funds
\$ 95,910	\$ 132,738	-	-	\$ 895,992
-	-	-	\$ 7,223	65,997
-	-	-	-	37,345
-	-	-	29,741	527,807
-	-	-	-	71,274
-	-	-	-	9,773
-	-	-	600	104,370
-	-	-	2,507	49,132
-	-	-	-	102,418
-	-	-	-	69,997
95,910	132,738	-	40,071	1,934,105
-	-	-	-	527,035
-	-	-	-	348,416
-	-	-	-	509,251
-	-	-	-	104,579
1,241	-	-	-	130,196
-	-	\$ 241,445	153,851	395,296
-	175,000	-	-	175,000
-	52,625	-	-	52,625
1,241	227,625	241,445	153,851	2,242,398
94,669	(94,887)	(241,445)	(113,780)	(308,293)
-	95,000	-	535,313	867,760
(96,115)	-	-	(38,258)	(855,760)
(96,115)	95,000	-	497,055	12,000
(1,446)	113	(241,445)	383,275	(296,293)
(19,356)	14,708	-	(386,383)	2,488,333
\$ (20,802)	\$ 14,821	\$ (241,445)	\$ (3,108)	\$ 2,192,040

CITY OF ONAWA, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (page 29)	\$ (296,293)
--	--------------

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 564,534	
Depreciation expense	<u>(237,195)</u>	327,339

Special assessment revenues are deferred in the governmental funds because they are not available to provide current financial resources	(41,701)
--	----------

Prepaid expenses are not reported in the governmental funds as they are not available to provide current financial resources	(602)
--	-------

Accrued interest expense that does not require current financial resources	495
--	-----

Internal service fund used by management to fund and maintain the City's health insurance deductible account and is included in the statement of net assets. The net revenue of this internal service fund is reported with governmental activities	(10,237)
---	----------

Bond issuance costs and bond discounts are recorded in the funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(3,929)
--	---------

Some Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	5,212
Other Postemployment Benefits	(3,083)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>175,000</u>
---	----------------

Change in net assets of governmental activities (page 24)	<u><u>\$ 152,201</u></u>
---	--------------------------

See Accompanying Notes to Financial Statements

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activities	
	Electric System	Water System
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 50,740	\$ 36,875
Investments	1,388,788	232,735
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	222,859	40,238
Accrued Interest	7,665	2,409
Other	3,850	1,280
Due from Other Funds	89,317	-
Inventories	203,725	46,686
Prepaid Assets	13,561	8,515
Investment in WIMECA	1,762,963	-
Temporary Cash Investments for Equipment	24,611	127,912
Total Current Assets	3,768,079	496,650
Non Current Assets		
Restricted Assets - Cash	47,249	-
Land	-	-
Construction in Progress	57,498	324,564
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,893,745	194,824
Total Non Current Assets	1,998,492	519,388
Total Assets	5,766,571	1,016,038
LIABILITIES		
Current Liabilities		
Accounts Payable	173,492	16,382
Accounts Payable-Construction	16,815	181,209
Accrued Wages	12,450	7,791
Accrued Expenses	2,663	23
Due to Other Funds	-	143,355
Customer Deposits	47,249	-
Compensated Absences due in less than one year	5,262	3,864
Total Current Liabilities	257,931	352,624
Non-Current Liabilities		
Compensated Absences due in more than one year	27,785	11,590
Total Non-Current Liabilities	27,785	11,590
Total Liabilities	285,716	364,214
NET ASSETS		
Invested in Capital Assets	1,951,243	519,388
Unrestricted	3,529,612	132,436
Total Net Assets	\$ 5,480,855	\$ 651,824

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities	
Sewer System	Total	Internal Service	
\$ 90,148	\$ 177,763	\$ 102,047	
174,936	1,796,459	-	
60,115	323,212	-	
795	10,869	-	
47	5,177	1,658	
54,038	143,355	16,406	
523	250,934	-	
2,458	24,534	-	
-	1,762,963	-	
14,195	166,718	-	
397,255	4,661,984	120,111	
-	47,249	-	
9,050	9,050	-	
-	382,062	-	
842,446	2,931,015	-	
851,496	3,369,376	-	
1,248,751	8,031,360	120,111	
25,892	215,766	207	
-	198,024	-	
7,705	27,946	-	
-	2,686	-	
-	143,355	16,406	
-	47,249	-	
5,560	14,686	-	
39,157	649,712	16,613	
16,679	56,054	-	
16,679	56,054	-	
55,836	705,766	16,613	
851,496	3,322,127	-	
341,419	4,003,467	103,498	
\$ 1,192,915	\$ 7,325,594	\$ 103,498	

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activities	
	Electric System	Water System
Operating Revenues:		
Charges for Services	\$ 2,156,096	\$ 353,034
Total Operating Revenue	<u>2,156,096</u>	<u>353,034</u>
Operating Expenses:		
Production	1,838,207	93,203
Distribution	466,511	168,052
Customer Accounts/Administration	99,852	65,941
Solid Waste	-	-
Depreciation	117,948	32,865
Deductibles	-	-
Total Operating Expenses	<u>2,522,518</u>	<u>360,061</u>
Operating Income (Loss)	(366,422)	(7,027)
Non-Operating Income (Expense):		
Interest Income	31,199	6,129
Sale of Merchandise	1,427	16,427
Equity in Net Income of WIMECA	172,153	-
WIMECA Member Charge Refund	42,713	-
Other Non-operating Revenues	13,129	1,309
Total Non-Operating Income (Expenses)	<u>260,621</u>	<u>23,865</u>
Income (Loss) before Transfers	(105,801)	16,838
Transfers Out	<u>(12,000)</u>	<u>-</u>
Change in Net Assets	(117,801)	16,838
Net Assets - Beginning	<u>5,598,656</u>	<u>634,986</u>
Net Assets - Ending	<u>\$ 5,480,855</u>	<u>\$ 651,824</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Sewer System	Total	Activities Internal Service
<u>\$ 572,319</u>	<u>\$ 3,081,449</u>	<u>\$ 3,190</u>
572,319	3,081,449	3,190
71,317	2,002,727	-
150,765	785,328	-
61,463	227,256	-
242,495	242,495	-
60,086	210,899	-
-	-	13,427
<u>586,126</u>	<u>3,468,705</u>	<u>13,427</u>
(13,807)	(387,256)	(10,237)
3,487	40,815	-
-	17,854	-
-	172,153	-
-	42,713	-
47	14,485	-
<u>3,534</u>	<u>288,020</u>	<u>-</u>
(10,273)	(99,236)	(10,237)
-	(12,000)	-
(10,273)	(111,236)	(10,237)
<u>1,203,188</u>	<u>7,436,830</u>	<u>113,735</u>
<u>\$ 1,192,915</u>	<u>\$ 7,325,594</u>	<u>\$ 103,498</u>

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activities	
	Electric System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,130,583	\$ 361,320
Cash Paid to Suppliers for Goods and Services	(1,955,752)	(120,164)
Cash Paid to Employees for Services	(328,449)	(215,914)
Other Nonoperating Income	54,044	16,456
Cash Received/(Paid) for Customer Deposits	(3,784)	-
Net Cash Provided (Used) by Operating Activities	(103,358)	41,698
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from (to) Other Funds	(12,000)	-
Advances from (to) Other funds	(148,553)	143,355
Net Cash Provided (Used) for Noncapital Financing Activities	(160,553)	143,355
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(111,256)	(345,286)
Less: Accounts Payable -Construction	16,815	181,209
Net Cash (Used) for Capital and Related Financing Activities	(94,441)	(164,077)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Temporary Cash Investments	(300,000)	-
Purchase of Temporary Cash Investments-Equipment	(18,000)	-
Proceeds from Sale of Temporary Cash Investments	700,000	-
Proceeds from Sale of Temporary Cash Investments -Equipment	500	4,223
Interest Received	22,808	-
Net Cash Provided (Used) for Investing Activities	405,308	4,223
Net Increase (Decrease) in Cash and Cash Equivalents	46,956	25,199
Cash and Cash Equivalents at Beginning of Year	51,033	11,676
Cash and Cash Equivalents at End of Year	<u>\$ 97,989</u>	<u>\$ 36,875</u>
Supplemental Disclosures		
Noncash Investing and Financing Activities		
Reinvestment of the earnings from WIMECA	\$ 172,153	\$ -
Reinvestment of Interest on Investments	\$ 11,631	\$ 6,266
	<u>\$ 183,784</u>	<u>\$ 6,266</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Sewer System	Total	Activities Internal Service
\$ 581,484	\$ 3,073,387	\$ 3,092
(313,023)	(2,388,939)	(13,220)
(210,630)	(754,993)	-
-	70,500	-
-	(3,784)	-
57,831	(3,829)	(10,128)
-	(12,000)	-
5,198	-	-
5,198	(12,000)	-
(893)	(457,435)	-
-	198,024	-
(893)	(259,411)	-
(100,000)	(400,000)	-
	(18,000)	-
100,000	800,000	-
-	4,723	-
2,727	25,535	-
2,727	412,258	-
64,863	137,018	(10,128)
25,285	87,994	112,175
\$ 90,148	\$ 225,012	\$ 102,047
\$ -	\$ 172,153	
\$ 1,260	\$ 19,157	
\$ 1,260	\$ 191,310	

(Continued)

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activities	
	Electric System	Water System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (366,422)	\$ (7,027)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	117,948	32,865
Other Non-Operating Income	57,269	17,736
(Increase) Decrease in Assets:		
Accounts Receivable	(25,513)	8,286
Other Receivable	(3,225)	(1,280)
Prepaid Expenses	2,507	(1,529)
Inventories	88,209	(7,851)
Increase (Decrease) in Liabilities:		
Accounts Payable	23,950	(114)
Accrued Wages and Compensated Absences	5,135	624
Accrued Expenses	568	(12)
Customer Deposits	(3,784)	-
Total Adjustments	263,064	48,725
Net Cash Provided (Used) by Operating Activities	<u>\$ (103,358)</u>	<u>\$ 41,698</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Sewer System	Total	Internal Service
\$ (13,807)	\$ (387,256)	\$ (10,237)
60,086	210,899	-
47	75,052	-
9,165	(8,062)	-
(47)	(4,552)	(98)
1,426	2,404	-
231	80,589	-
(373)	23,463	207
1,103	6,862	-
-	556	-
-	(3,784)	-
71,638	383,427	109
\$ 57,831	\$ (3,829)	\$ (10,128)

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Onawa, Iowa is a political subdivision of the State of Iowa located in Monona County, and was incorporated in 1859, and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development and general government services. The City also has municipal electric, water and sewer utility systems, which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Onawa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present The City of Onawa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operations or financial relationship with the City.

Discretely Presented Component Unit – Onawa Library Advocates Foundation (Foundation) was established under the Iowa Non-Profit Corporation Act, Chapter 504, A, of the Code of Iowa to promote the Onawa Public Library. The Foundation's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Monona County Assessors' Conference Board, Monona County Emergency Management Commission, Monona County Joint E911 Service Board, and Monona County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance and risk insurance internal service funds are classified as business-type activities.

The Statement of Net Assets presents the City's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrated the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operations or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for constructions of specific projects within the TIF District.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for industrial development, infrastructure and for property tax relief.

The Employee Benefit Fund is used to account for property taxes received for employee benefits.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

- 4) Capital Project Funds

The 2010 Street Project fund is used to account for the resurfacing of various streets within the City of Onawa. The Fire Station Project Fund is used to account for the cost of construction of the new fire station.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

- 2) Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis.

The City's internal service funds are presented in the proprietary fund financial statements.

Risk Insurance – The City operates an insurance deductible fund that accounts for all deductibles on insurance claims owed by the other organizational units of the City. The financial statements of the risk insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity and are not eliminated in the process of consolidation.

Health Insurance Deductibles – The City operates a health insurance deductible fund that accounts for all deductibles on employee health insurance claims owed by the other organizational units of the City. The financial statements of the health insurance deductible internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity and are not eliminated in the process of consolidation.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Budgets

Chapter 384, Section 16, of the State Code of Iowa requires the adoption of an annual budget on or before March 15 of each year, which becomes effective July 1 and constitutes the appropriation for each program specified therein until amended. The City budget may be amended for specified level purposes and budget amendments must be prepared and adopted in the same manner as the original budget. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Annual budgets are adopted on the cash basis of accounting for all governmental funds. The City's budget is prepared on the cash basis of accounting. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level for all funds combined rather than at the individual fund level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a program level basis and to compare such program totals to program budgeted totals in order to demonstrate legal compliance with budget. Legal budget compliance for cities in the State of Iowa is applied only to expenditures.

The Budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

The City uses the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

G. Property Tax Receivable, Including Tax Increment Financing

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

I. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

J. Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

K. Inventories

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

M. Property and Equipment

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Historical infrastructure has not been recorded on these financial statements other than buildings and improvements. GASB 34 does not require the City of Onawa to record the historical infrastructure costs. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

Q. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

R. Landfill Closure Costs

The City is part of an Iowa Code Section 28F agreement with the Monona County Landfill Commission and, therefore, not required to account for landfill post closure costs.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2010, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

Deposits at June 30, 2010, are shown below:

	<u>Primary</u> <u>Government</u>	<u>Bank</u> <u>Balance</u>
Demand Deposits	\$ 748,693	\$ 757,996
Savings Deposits	927,086	927,086
Time Deposits	<u>2,791,340</u>	<u>2,791,340</u>
	<u>\$ 4,467,119</u>	<u>\$ 4,476,422</u>

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2010, the City's investments are in a category characterized as investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

There were no significant changes in investments held during the fiscal year ended June 30, 2010.

Note 3 - RECEIVABLES

Receivables at June 30, 2010 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$17,011 at June 30, 2010.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, amounts due from other governments were as follows:

Due from the State of Iowa for I-Jobs	\$ 16,427
Due from the Iowa Department of Transportation for road use tax allocations	17,114
Due from the State of Iowa for local option sales taxes	<u>32,612</u>
Total Due from Other Governments	<u>\$ 66,153</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Special Revenue – Local Option Sales Tax	TIF Fund	\$ 92,564
Special Revenue – Local Option Sales Tax	2010 Street Project	218,609
Special Revenue – Local Option Sales Tax	Special Revenue – Road Use Tax	24,135
Special Revenue – Local Option Sales Tax	Special Revenue – Employee Benefits	22,836
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	<u>139,973</u>
		498,117
Proprietary – Light Fund	Proprietary – Water Fund	89,317
Proprietary – Sewer Fund	Proprietary – Water Fund	54,038
Internal Service – Health Insurance Fund	Internal Service – Risk Insurance	<u>16,406</u>
		<u>\$ 657,878</u>

The Purpose of the interfund balances is to help finance short-term cash shortages of various funds.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 417,239			\$ 417,239
Construction in Progress	26,791	\$ 441,649	\$ 48,053	420,387
Total capital assets not being depreciated	444,030	441,649	48,053	837,626
Capital assets being depreciated:				
Buildings	4,151,765		16,480	4,135,285
Improvements	440,194			440,194
Equipment	1,922,110	173,118	33,753	2,061,475
Infrastructure	1,077,055	48,053		1,125,108
Total capital assets being depreciated	7,591,124	221,171	50,233	7,762,062
Less: Accumulated Depreciation for:				
Buildings	646,923	83,612		730,535
Improvements	173,281	18,253		191,534
Equipment	1,000,869	113,357	32,320	1,081,906
Infrastructure	148,651	54,293		202,944
Total Accumulated Depreciation	1,969,724	269,515	32,320	2,206,919
Total capital assets being depreciated, net	5,621,400	(48,344)	(17,913)	5,555,143
Governmental activities capital assets, net	<u>\$ 6,065,430</u>	<u>\$ 393,305</u>	<u>\$ 65,966</u>	<u>\$ 6,392,769</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 9,050			\$ 9,050
Construction – In progress		\$ 382,062		382,062
Total capital assets not being depreciated	9,050	382,062	-	391,112
Capital assets being depreciated:				
Equipment	1,233,737	\$ 23,558		1,257,295
Buildings, Utility Plant, Lines, Etc.	6,373,547	51,816		6,425,363
Total capital assets being depreciated	7,607,284	75,374	-	7,682,658
Less: Accumulated Depreciation for:				
Equipment	838,172	78,315		916,487
Buildings, Utility Plant, Lines, Etc.	3,702,572	132,584		3,835,156
Total Accumulated Depreciation	4,540,744	210,899	-	4,751,643
Total capital assets being depreciated, net	3,066,540	(135,525)	-	2,931,015
Business Type activities capital assets, net	<u>\$ 3,075,590</u>	<u>\$ (246,537)</u>	<u>-</u>	<u>\$ 3,322,127</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS – (Continued)

Construction in progress at June 30, 2010 for governmental activities consisted of costs associated with the 2010 Street Capital Project of \$241,445 and the new fire station of \$178,942. Business type activities consisted of Water Plant Project of \$324,564 and Light Project of \$57,498. Below are the remaining amounts on the contracts to be completed after June 30, 2010,

2010 Street Capital Project	\$ 11,843
New Fire Station	-
Water Plant Project	1,429,436
Light Project	44,317

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 47,219
Public Works	24,952
Culture and Recreation	139,684
Community and Economic Development	3,367
General Government	54,293
	<u>269,515</u>
Total depreciation expense – governmental activities	<u>269,515</u>
Business-Type Activities:	
Electric	117,948
Water	32,865
Sewer	60,086
	<u>210,899</u>
Total depreciation expense – business-type activities	<u>\$ 210,899</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 417,239	\$ 9,050
Construction in Progress	420,387	382,062
Capital Assets (net of accumulated depreciation)	5,555,143	2,931,015
Unamortized Bond Issue Cost	7,758	
Unamortized Bond Discount	11,603	
Less: General Obligation Bonds Payable	(1,180,000)	
Investment in Capital Assets, Net of Related Debt	<u>\$ 5,232,130</u>	<u>\$ 3,322,127</u>

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT

General Obligation Bonds

General obligation bonds have been issued for the governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City has issued general obligation bonds as follows:

\$1,500,000 2003 General Obligation Bonds due in annual installments of \$95,000 to \$130,000 through 2019.

\$505,000 2006 General Obligation Bonds due in annual installments of \$90,000 to \$95,000 through 2012.

General obligation bonds outstanding as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	3.40 - 4.40%	\$ 995,000
Governmental Activities – TIF	3.70 - 3.80%	185,000
		<u>\$ 1,180,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 185,000	\$ 46,685
2012	190,000	40,125
2013	100,000	33,095
2014	105,000	29,345
2015	110,000	25,250
2016 - 2019	<u>490,000</u>	<u>53,800</u>
Total	<u>\$ 1,180,000</u>	<u>\$ 228,300</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental					
Activities:					
Bonds Payable:					
General Obligation	\$ 1,355,000	\$ 0.00	\$(175,000)	\$ 1,180,000	\$ 185,000
Compensated Absences	47,616	0.00	(5,212)	42,404	10,601
Total	<u>1,402,616</u>	<u>0.00</u>	<u>(180,212)</u>	<u>1,222,404</u>	<u>195,601</u>
Business Type					
Activities:					
Compensated Absences	\$ 64,919	\$ 5,821	\$ 0.00	\$ 70,740	\$ 14,686

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

Transfers From	Governmental Fund Types			Governmental Fund Types
	General	Debt Service	Nonmajor Governmental	
General Fund			\$ 88,387	\$ 88,387
Business Type Activities	\$ 12,000			12,000
Employee Benefits	96,115			96,115
TIF		\$ 95,000		95,000
Road Use Tax			413,000	413,000
Local Option Sales Tax	125,000			125,000
Nonmajor Governmental	4,332		33,926	38,258
Total Transfers	<u>\$ 237,447</u>	<u>\$ 95,000</u>	<u>\$ 535,313</u>	<u>\$ 867,760</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.
4. To move receipts collected by Business Type activity Funds to General Fund in accordance with budgetary authorizations.

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30 percent of their annual covered salary and the City is required to contribute 6.65 percent of annual covered payroll except for police employees, in which case, the percentages are 6.14 for employees and 9.20 for the city contribution. For the year ended June 30, 2009, the contribution rates for plan members were 4.10 percent and 6.35 percent, respectively, and for police employees and the City were 5.63 percent and 8.45 percent, respectively, and for the year ended June 30, 2008, the contribution rates for plan members were 3.90 percent and 6.05 percent respectively and for police employees and the City were 5.64 percent and 8.47 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$82,291, \$74,334, and \$68,602, respectively, equal to the required contributions for each year.

Effective July 1, 2010, the City's required contribution to IPERS increased to 6.95% and 9.95% of annual covered payroll for plan members and police employees, respectively.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description. The City operates a group health plan which provides medical/prescription drug benefits for retirees and their spouses, under COBRA provisions. There are 24 active members in the plan. Participants must be age 55 or older with at least ten years of service at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Three Rivers Benefit Corporation. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and the City's net OPEB obligation:

Annual required contribution	\$ 3,083
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>3,083</u>
Contributions made	<u>-0-</u>
Increase in net OPEB obligation	3,083
Net OPEB obligation beginning of year	<u>-0-</u>
Net OPEB obligation end of year	<u>\$ 3,083</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed \$162,835 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,083	-0-	\$ 3,083

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$3,083, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,083. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$941,000 and the ratio of the UAAL to covered payroll was .33%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 12%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$11,381 and \$11,197 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 11 - DEFICIT FUND EQUITY

The City has six funds with deficit equity balances at June 30, 2010. The City intends to finance these deficits from various resources including general funds, special assessments to be collected and future property tax levies and issuance of bonds for the fire station.

The individual fund deficits were as follows:

Special Revenue – Employee Benefits.....	\$ 20,802
Special Revenue – TIF	96,534
Capital Project – 2010 Street Project.....	241,445
Capital Project – 2009 Street Project.....	40,796
Capital Project – Library Expansion.....	21,268
Capital Project – Fire Station	\$ 106,635

Note 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There are no claims reported in the financial statements as a liability and no losses in excess of insurance coverage have occurred in the last three years.

There were no significant reductions in insurance coverage over the past three years.

Note 13 - INVESTMENT IN WIMECA

Western Iowa Municipal Electric Cooperative Association (WIMECA) was incorporated on December 4, 1973, under the laws of Iowa. The Association operates as a cooperative for six municipalities. The primary activity of the Association is the acquisition of electric power and energy which is sold to its member municipalities.

It is the intent of the Association to operate on a nonprofit basis and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The City of Onawa's Electric Enterprise Fund's proportion of business for the year ended December 31, 2009 represents 32.62% of the total member business.

The last available information for WIMECA is from its December 31, 2009 independent audit report. These financial statements are available at the City office.

CITY OF ONAWA, IOWA
Notes to Financial Statements
June 30, 2010

Note 13 - INVESTMENT IN WIMECA – (Continued)

The summary financial information of WIMECA is as follows:

	December 31, <u>2009</u>
Total Assets	\$ <u>5,597,443</u>
Total Liabilities	453,190
Total Equity	<u>5,144,253</u>
Total Liabilities and Equity	<u>5,597,443</u>
Total Revenue	5,101,605
Total Expense	<u>4,573,852</u>
Net Earnings	\$ <u>527,753</u>

At December 31, 2009, WIMECA had no outstanding bonds.

At June 30, 2010, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, <u>2010</u>
Beginning Balance	\$ 1,590,810
Add: Net Earnings	<u>172,153</u>
Ending Balance at June 30, 2010	\$ <u>1,762,963</u>

Note 14 - CONTINGENCIES & COMMITMENTS

On June 21, 2010, the City Council approved the City to enter into a garbage hauling contract with Ross Enterprises, Inc. for the period of July 1, 2010 through June 30, 2015 at an annual cost of approximately \$130,000 for FY 2011, with an annual increase of approximately 2.5% for FY 2012 - FY 2015, based on the number of customers. This annual cost is subject to adjustment based on increases in fuel costs.

Note 15 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 6, 2010, the date of the financial statements were available to be issued.

On September 15, 2010, the City entered into a construction contract with MCL Construction in the amount of \$1,085,000 for construction of a new fire station.

On September 28, 2010, the City entered into construction contracts with Christiansen Construction, Co. LLC. and Grundman-Hicks, LLC. totaling \$168,196 for renovations to the community swimming pool.

On September 29, 2010, the City entered into a construction contract with Schoon Construction, Inc. in the amount of \$528,080 for underground electrical distribution improvements.

On October 1, 2010, the City issued General Obligation Bonds, Series 2010 in the amount of \$650,000 maturing June 1, 2025 with an interest rate ranging from 2.00% to 4.05%. The purpose of the bonds is to pay for costs of constructing, equipping and furnishing a new fire station.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONAWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

The following schedule demonstrates the City's legal compliance to the budget.

<u>Function</u>	<u>Budgeted Original</u>	<u>5-26-10 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 552,778	\$ 60,000	\$ 612,778
Public Works	412,975		412,975
Culture & Recreation	522,854		522,854
Community & Economic Development	94,000	\$ 66,000	160,000
General Government	218,300		218,300
Debt Service	227,625		227,625
Capital Projects	180,000		180,000
Business Type/Enterprise	5,753,095		5,753,095
Total	<u>\$ 7,961,627</u>	<u>\$ 126,000</u>	<u>\$ 8,087,627</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2010

	Actual Amounts		
	Governmental Fund Types	Proprietary Fund Types	Total
Revenue:			
Taxes	\$ 901,940	-	\$ 901,940
Special Assessments	47,490	-	47,490
Licenses and Permits	36,573	-	36,573
Intergovernmental Revenue	510,876	-	510,876
Charges for Services	79,204	\$ 3,073,387	3,152,591
Fines and Forfeits	10,657	-	10,657
Contributions	104,370	-	104,370
Interest	46,331	44,442	90,773
Payment in Lieu of Taxes	102,418	-	102,418
Proceeds of Debt	-	-	-
Miscellaneous	78,860	70,500	149,360
Total Revenue	1,918,719	3,188,329	5,107,048
Expenditures/Expenses:			
Public Safety	544,923	-	544,923
Public Works	350,336	-	350,336
Culture and Recreation	482,364	-	482,364
Community and Economic Development	110,747	-	110,747
General Government	139,450	-	139,450
Capital Projects	343,806	-	343,806
Debt Service	227,625	-	227,625
Business Type Activities	(10,712)	3,407,128	3,396,416
Total Expenditures/Expenses	2,188,539	3,407,128	5,595,667
Excess (Deficiency) of revenues over Expenditures/Expenses	(269,820)	(218,799)	(488,619)
Other financing sources (uses):			
Transfers In	867,760	-	867,760
Transfers Out	(855,760)	(12,000)	(867,760)
Total other financing sources (uses)	12,000	(12,000)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	(257,820)	(230,799)	(488,619)
Fund Balance/Retained Earnings at Beginning of Year	2,536,805	2,418,988	4,955,793
Fund Balance/Retained Earnings at End of Year	\$ 2,278,985	\$ 2,188,189	\$ 4,467,174

Budgeted Amounts		Variance
Original	Final	Favorable (Unfavorable)
\$ 895,854	\$ 895,854	\$ 6,086
80,000	80,000	(32,510)
13,675	13,675	22,898
1,181,236	1,181,236	(670,360)
3,281,382	3,281,382	(128,791)
-	-	10,657
-	-	104,370
84,683	84,683	6,090
107,000	107,000	(4,582)
1,430,850	1,430,850	(1,430,850)
39,396	39,396	109,964
<u>7,114,076</u>	<u>7,114,076</u>	<u>(2,007,028)</u>
552,778	612,778	67,855
412,975	412,975	62,639
522,854	522,854	40,490
94,000	160,000	49,253
218,300	218,300	78,850
180,000	180,000	(163,806)
227,625	227,625	-
<u>5,753,095</u>	<u>5,753,095</u>	<u>2,356,679</u>
<u>7,961,627</u>	<u>8,087,627</u>	<u>2,491,960</u>
<u>(847,551)</u>	<u>(973,551)</u>	<u>484,932</u>
308,886	308,886	(558,874)
<u>(308,886)</u>	<u>(308,886)</u>	<u>558,874</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (847,551)</u>	<u>\$ (973,551)</u>	<u>\$ 484,932</u>

CITY OF ONAWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2010

	Governmental and Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenue:			
Taxes	\$ 901,940	\$ (5,948)	\$ 895,992
Special Assessments	47,490	18,507	65,997
Licenses and Permits	36,573	772	37,345
Intergovernmental Revenue	510,876	16,931	527,807
Charges for Services	3,152,591	3,322	3,155,913
Fines and Forfeits	10,657	(884)	9,773
Contributions	104,370	-	104,370
Sale of Real Estate	-	-	-
Interest	90,773	(826)	89,947
Payment in Lieu of Taxes	102,418	-	102,418
Miscellaneous	149,360	167,842	317,202
Total Revenue	<u>5,107,048</u>	<u>199,716</u>	<u>5,306,764</u>
Expenditures/Expenses:			
Public Safety	544,923	(17,888)	527,035
Public Works	350,336	(1,920)	348,416
Culture and Recreation	482,364	26,887	509,251
Community and Economic Development	110,747	(6,168)	104,579
General Government	139,450	(9,254)	130,196
Capital Projects	343,806	51,490	395,296
Debt Service	227,625	-	227,625
Business Type Activities	3,396,416	85,716	3,482,132
Total Expenditures/Expenses	<u>5,595,667</u>	<u>128,863</u>	<u>5,724,530</u>
Excess (Deficiency) of revenues over Expenditures/Expenses	<u>(488,619)</u>	<u>70,853</u>	<u>(417,766)</u>
Other financing sources (uses):			
Transfers In	867,760	-	867,760
Transfers Out	<u>(867,760)</u>	<u>-</u>	<u>(867,760)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other Uses	<u>(488,619)</u>	<u>70,853</u>	<u>(417,766)</u>
Fund Balance/Retained Earnings at Beginning of Year	<u>4,955,793</u>	<u>5,083,105</u>	<u>10,038,898</u>
Fund Balance/Retained Earnings at End of Year	<u>\$ 4,467,174</u>	<u>\$ 5,153,958</u>	<u>\$ 9,621,132</u>

SUPPLEMENTARY INFORMATION

**CITY OF ONAWA, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2010**

	Special Revenue Fund I-Jobs	Capital Projects				
		2004 Street Project	2005 Street Project	2006 Street Project	2007 Street Project	2008 Street Project
Assets						
Cash and Pooled Investments	\$ 13,314	-	-	-	-	-
Investments	-	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)						
Accrued Interest	-	-	-	-	-	-
Due from Other Governmental Agencies	16,427	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Subsequent Year Special Assessments	-	-	-	-	-	-
Total Assets	29,741	-	-	-	-	-
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Deferred Revenue:						
Subsequent Year Assessments	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balances:						
Reserved for:						
Endowment	-	-	-	-	-	-
Unreserved (Deficit)	29,741	-	-	-	-	-
Total Fund Balances (Deficits)	29,741	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 29,741	-	-	-	-	-

2009 Street Project	15th and Marble	Capital Projects			Permanent Fund		Governmental Nonmajor Funds
		Fire Station	Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
-	-	-	\$ 12,756	-	\$ 2,152	-	\$ 28,222
-	-	-	-	-	86,500	\$ 33,000	119,500
\$ 34	-	-	-	-	1,076	96	1,206
-	-	-	-	-	-	-	16,427
163	-	-	-	-	-	-	163
1,443	-	-	-	-	-	-	1,443
1,640	-	-	12,756	-	89,728	33,096	166,961
-	-	\$ 28,653	-	-	-	-	28,653
40,993	-	77,712	-	\$ 21,268	-	-	139,973
1,443	-	-	-	-	-	-	1,443
42,436	-	106,365	-	21,268	-	-	170,069
-	-	-	-	-	89,728	33,096	122,824
(40,796)	-	(106,365)	12,756	(21,268)	-	-	(125,932)
(40,796)	-	\$ (106,365)	12,756	\$ (21,268)	89,728	33,096	(3,108)
\$ 1,640	-	-	\$ 12,756	-	\$ 89,728	\$ 33,096	\$ 166,961

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Fund I-Jobs	Capital Projects				
		2004 Street Project	2005 Street Project	2006 Street Project	2007 Street Project	2008 Street Project
Revenue:						
Special Assessments	-	-	-	-	-	-
Intergovernmental Revenue	\$ 29,741	-	-	-	-	-
Contributions	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Revenue	29,741	-	-	-	-	-
Expenditures:						
Public Safety	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	29,741	-	-	-	-	-
Other financing sources (uses):						
Transfers In	-	-	\$ 171,036	\$ 117,417	\$ 119,677	\$ 127,183
Transfers Out	-	\$ (21,432)	-	-	-	-
Total other financing sources (uses)	-	(21,432)	171,036	117,417	119,677	127,183
Net Change in Fund Balance	29,741	(21,432)	171,036	117,417	119,677	127,183
Fund balances (deficits) -beginning of year	-	\$ 21,432	\$ (171,036)	\$ (117,417)	\$ (119,677)	\$ (127,183)
Fund balances (deficits) - end of year	\$ 29,741	-	-	-	-	-

2009 Street Project	15th and Marble	Capital Projects			Permanent Fund		Total Governmental Nonmajor Funds
		Fire Station	Airport Project	Library Project	Cemetery Perpetual Care Fund	Library Endowment Fund	
\$ 7,223	-	-	-	-	-	-	\$ 7,223
-	-	-	-	-	-	-	29,741
-	-	-	-	-	\$ 600	-	600
34	-	-	-	-	1,629	\$ 844	2,507
7,257	-	-	-	-	2,229	844	40,071
-	-	\$ 106,365	-	-	-	-	106,365
\$ 47,486	-	-	-	-	-	-	47,486
47,486	-	106,365	-	-	-	-	153,851
(40,229)	-	(106,365)	-	-	2,229	844	(113,780)
-	-	-	-	-	-	-	535,313
-	(12,494)	-	-	-	(3,488)	(844)	(38,258)
-	(12,494)	-	-	-	(3,488)	(844)	497,055
(40,229)	(12,494)	(106,365)	-	-	(1,259)	-	383,275
(567)	\$ 12,494	-	12,756	(21,268)	90,987	33,096	(386,383)
\$ (40,796)	-	\$ (106,365)	\$ 12,756	\$ (21,268)	\$ 89,728	\$ 33,096	\$ (3,108)

**CITY OF ONAWA, IOWA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010**

	Risk Insurance	Health Insurance Deductibles	Totals
ASSETS			
Cash	\$ 102,047	-	\$ 102,047
Accounts Receivable	-	\$ 1,658	1,658
Due from Other funds	16,406	-	16,406
Total Assets	118,453	1,658	120,111
LIABILITIES			
Accounts Payable	-	207	207
Due to Other Funds	-	16,406	16,406
Total Liabilities	-	16,613	16,613
NET ASSETS	\$ 118,453	\$ (14,955)	\$ 103,498

CITY OF ONAWA, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Risk Insurance	Health Insurance Deductibles	Totals
Operating revenues:			
Charges for services to operating funds	- \$	3,190 \$	3,190
Operating expenses:			
General Government	-	13,427	13,427
Total operating expenses	-	13,427	13,427
Operating (Loss)	-	(10,237)	(10,237)
Net assets - beginning	\$ 118,453	(4,718)	113,735
Net assets - ending	\$ 118,453	\$ (14,955)	\$ 103,498

**CITY OF ONAWA, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Risk Insurance	Health Insurance Deductibles	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	- \$	3,092 \$	3,092
Cash Paid to Suppliers	-	(13,220)	(13,220)
Net Cash (Used) by Operating Activities	-	(10,128)	(10,128)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances From (to) Other funds	\$ (10,128)	10,128	-
Net Cash Provided (Used) for Investing Activities	(10,128)	10,128	-
Net (Decrease) in Cash and Cash Equivalents	(10,128)	-	(10,128)
Cash and Cash Equivalents at Beginning of Year	112,175	-	112,175
Cash and Cash Equivalents at End of Year	<u>\$ 102,047</u>	<u>\$ -</u>	<u>\$ 102,047</u>
Reconciliation of Operating Income (Loss) to Net Cash (Used) by Operating Activities			
Operating (Loss)	- \$	(10,237) \$	(10,237)
Adjustments to Reconcile Net Operating (Loss) to Net Cash Provided by Operating Activities:			
(Increase) in Accounts Receivable	-	(98)	(98)
Increase in Accounts Payable	-	207	207
Total Adjustments	-	109	109
Net Cash (Used) by Operating Activities	- \$	(10,128) \$	(10,128)

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

CITY OF ONAWA STATISTICAL SECTION

This part of the City of Onawa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents:	Pages
Financial Trends	68 – 78
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	79 – 83
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	84 – 87
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	87
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	88 – 97
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.

CITY OF ONAWA, IOWA

TABLE I

Government-Wide Net Assets by Component²
 Last Seven Fiscal Years¹
 (accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Invested in Capital Assets, net of related debt	\$ 1,297,694	\$ 3,708,775	\$ 4,083,125	\$ 4,156,835
Restricted	232,713	114,345	116,325	121,522
Unrestricted	<u>2,777,798</u>	<u>1,525,551</u>	<u>1,721,779</u>	<u>2,396,941</u>
Total Governmental Activities Net Assets	<u>\$ 4,308,205</u>	<u>\$ 5,348,671</u>	<u>\$ 5,921,229</u>	<u>\$ 6,675,298</u>
Business-type Activities				
Invested in Capital Assets, net of related debt	\$ 3,331,990	\$ 3,291,706	\$ 3,274,484	\$ 3,161,569
Restricted	-	-	-	-
Unrestricted	<u>4,157,395</u>	<u>4,316,055</u>	<u>4,468,232</u>	<u>4,417,915</u>
Total Business-type Activities	<u>\$ 7,489,385</u>	<u>\$ 7,607,761</u>	<u>\$ 7,742,716</u>	<u>\$ 7,579,484</u>
Primary Government				
Invested in Capital Assets, net of related debt	\$ 4,629,684	\$ 7,000,481	\$ 7,357,609	\$ 7,318,404
Restricted	232,713	114,345	116,325	121,522
Unrestricted	<u>6,935,193</u>	<u>5,841,606</u>	<u>6,190,011</u>	<u>6,814,856</u>
Total Primary Government Activities Net Assets	<u>\$ 11,797,590</u>	<u>\$ 12,956,432</u>	<u>\$ 13,663,945</u>	<u>\$ 14,254,782</u>

Notes:

¹ The City Implemented GASB Statement No. 34 in fiscal year 2004, therefore, seven years of governmental-wide financial data is presented.

² Accounting standards require that net assets be reported in three components in the financial statements: Invested in capital assets, net of related debt; restricted and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Iowa or the federal government, places restrictions on how the resources may be used, or (2) enabling legislation is enacted by the City.

	<u>Fiscal Year</u>	
<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 4,316,440	\$ 4,710,430	\$ 5,232,130
1,288,965	1,310,684	979,785
<u>1,569,514</u>	<u>1,492,477</u>	<u>1,453,877</u>
<u>\$ 7,174,919</u>	<u>\$ 7,513,591</u>	<u>\$ 7,665,792</u>
\$ 3,198,303	\$ 3,075,590	\$ 3,322,127
-	-	-
<u>4,492,369</u>	<u>4,361,240</u>	<u>4,003,467</u>
<u>\$ 7,690,672</u>	<u>\$ 7,436,830</u>	<u>\$ 7,325,594</u>
\$ 7,514,743	\$ 7,786,020	\$ 8,554,257
1,288,965	1,310,684	979,785
<u>6,061,883</u>	<u>5,853,717</u>	<u>5,457,344</u>
<u>\$ 14,865,591</u>	<u>\$ 14,950,421</u>	<u>\$ 14,991,386</u>

CITY OF ONAWA, IOWA

TABLE II

Changes in Net Assets
Last Seven Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses¹				
Governmental Activities				
Public Safety	\$ 435,037	\$ 481,673	\$ 445,971	\$ 512,418
Public Works	252,568	200,448	250,256	252,991
Culture and Recreation	364,443	420,950	491,103	504,980
Community and Economic Development	133,273	57,791	83,261	89,769
General Government	173,618	156,050	159,999	173,894
Debt Service	70,732	40,511	84,230	67,267
Total Governmental Activities Expenses	<u>\$ 1,429,671</u>	<u>\$ 1,357,423</u>	<u>\$ 1,514,820</u>	<u>\$ 1,601,319</u>
Business-type Activities				
Electric System	\$ 1,417,066	\$ 1,593,206	\$ 1,766,956	\$ 1,777,438
Water System	281,441	361,903	376,228	395,571
Sewer System	500,891	520,473	529,236	548,919
Total Business-type Activities Expenses	<u>\$ 2,199,398</u>	<u>\$ 2,475,582</u>	<u>\$ 2,672,420</u>	<u>\$ 2,721,928</u>
Total Primary Government Expenses	<u>\$ 3,629,069</u>	<u>\$ 3,833,005</u>	<u>\$ 4,187,240</u>	<u>\$ 4,323,247</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Public Safety	\$ 10,859	\$ 6,107	\$ 11,419	\$ 12,306
Public Works	-	-	-	-
Culture and Recreation	74,488	86,297	80,353	87,306
General Government	14,500	14,500	15,000	18,000
Operating Grants and Contributions	723,280	421,916	354,245	391,214
Capital Grants and Contributions	60,000	240,342	147,895	9,271
Total Governmental Activities Program Revenues	<u>\$ 883,127</u>	<u>\$ 769,162</u>	<u>\$ 608,912</u>	<u>\$ 518,097</u>
Business-type Activities:				
Charges for Services				
Electric System	\$ 1,646,711	\$ 1,654,084	\$ 1,784,123	\$ 1,674,900
Water System	304,472	286,369	308,879	295,762
Sewer System	478,166	463,509	495,505	477,789
Total Business-type Activities Program Revenues	<u>\$ 2,429,349</u>	<u>\$ 2,403,962</u>	<u>\$ 2,588,507</u>	<u>\$ 2,448,451</u>
Total Primary Government Program Revenues	<u>\$ 3,312,476</u>	<u>\$ 3,173,124</u>	<u>\$ 3,197,419</u>	<u>\$ 2,966,548</u>
Net (Expense)/Revenue²				
Governmental Activities:	\$ (546,544)	\$ (588,261)	\$ (905,908)	\$ (1,083,222)
Business-type Activities:	229,951	(71,620)	(83,913)	(273,477)
Total Primary Government Net Expense	<u>\$ (316,593)</u>	<u>\$ (659,881)</u>	<u>\$ (989,821)</u>	<u>\$ (1,356,699)</u>

	<u>Fiscal Year</u>		
<u>2008</u>	<u>2009</u>	<u>2010</u>	
\$ 522,880	\$ 531,966	\$ 544,259	
261,866	223,606	295,307	
560,377	550,496	554,150	
81,891	74,567	104,579	
187,646	217,204	204,968	
62,696	57,786	52,130	
<u>\$ 1,677,356</u>	<u>\$ 1,655,625</u>	<u>\$ 1,755,393</u>	
\$ 1,846,979	\$ 2,315,641	\$ 2,522,518	
354,763	406,944	360,061	
546,477	579,552	586,126	
<u>\$ 2,748,219</u>	<u>\$ 3,302,137</u>	<u>\$ 3,468,705</u>	
<u>\$ 4,425,575</u>	<u>\$ 4,957,762</u>	<u>\$ 5,224,098</u>	
\$ 11,160	\$ 8,905	\$ 5,993	
-	-	1,200	
76,468	82,070	73,854	
20,983	20,983	40,535	
443,136	448,699	406,090	
125,000	54,741	-	
<u>\$ 676,747</u>	<u>\$ 615,398</u>	<u>\$ 527,672</u>	
\$ 1,782,798	\$ 1,879,394	\$ 2,156,096	
295,074	358,309	353,034	
483,054	562,825	572,319	
<u>\$ 2,560,926</u>	<u>\$ 2,800,528</u>	<u>\$ 3,081,449</u>	
<u>\$ 3,237,673</u>	<u>\$ 3,415,926</u>	<u>\$ 3,609,121</u>	
\$ (1,000,609)	\$ (1,040,227)	\$ (1,227,721)	
(187,293)	(501,609)	(387,256)	
<u>\$ (1,187,902)</u>	<u>\$ (1,541,836)</u>	<u>\$ (1,614,977)</u>	

CITY OF ONAWA, IOWA

TABLE II (Continued)

Changes in Net Assets
Last Seven Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues				
Governmental Activities:				
Property Taxes	\$ 1,010,564	\$ 1,119,067	\$ 1,059,464	\$ 1,128,832
Local Option Sales Tax	163,564	164,447	169,515	167,862
Interest	63,561	75,957	95,990	121,100
General Intergovernmental Revenues	45,618	76,132	34,807	42,952
Payment in Lieu of Taxes	84,552	87,654	86,578	92,845
Contributions	1,100	2,079	3,350	38,025
Miscellaneous	46,107	31,136	34,490	92,981
Proceeds from Sale of Real Estate	-	-	-	15,000
Transfers	-	77,293	-	40,000
Total Governmental Activities	<u>\$ 1,415,066</u>	<u>\$ 1,633,765</u>	<u>\$ 1,484,194</u>	<u>\$ 1,739,597</u>
Business-type Activities:				
Interest	\$ 9,242	\$ 33,343	\$ 75,277	\$ 95,345
Sale of Merchandise	16,897	29,573	26,583	15,823
Miscellaneous	241,753	187,335	111,280	136,771
Gain on Sale of Fixed Assets	-	-	-	-
Assets Acquired Through Annexation	-	12,000	-	-
Transfers	-	(77,293)	-	(40,000)
Total Business-type Activities	<u>\$ 267,892</u>	<u>\$ 184,958</u>	<u>\$ 213,140</u>	<u>\$ 207,939</u>
Total Primary Government	<u>\$ 1,682,958</u>	<u>\$ 1,818,723</u>	<u>\$ 1,697,334</u>	<u>\$ 1,947,536</u>
Change in Net Assets				
Governmental Activities	\$ 868,522	\$ 1,045,504	\$ 578,286	\$ 656,375
Business-type Activities	497,843	113,338	129,227	(65,538)
Total Primary Government	<u>\$ 1,366,365</u>	<u>\$ 1,158,842</u>	<u>\$ 707,513</u>	<u>\$ 590,837</u>

Notes:

¹ The City implemented GASB Statement No. 34 in fiscal year 2004 therefore, seven years of government-wide financial data is presented.

² Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues.

	<u>Fiscal Year</u>	
<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 965,446	\$ 885,342	\$ 895,992
165,688	195,433	193,364
110,437	66,164	49,132
24,319	48,533	63,012
88,672	92,484	102,418
1,275	825	600
61,572	64,518	63,404
8,325	13,600	-
12,000	12,000	12,000
<u>\$ 1,437,734</u>	<u>\$ 1,378,899</u>	<u>\$ 1,379,922</u>
\$ 92,421	\$ 60,091	\$ 40,815
23,619	16,774	17,854
190,377	182,902	229,351
4,064	-	-
-	-	-
(12,000)	(12,000)	(12,000)
<u>\$ 298,481</u>	<u>\$ 247,767</u>	<u>\$ 276,020</u>
<u>\$ 1,736,215</u>	<u>\$ 1,626,666</u>	<u>\$ 1,655,942</u>
\$ 437,125	\$ 338,672	\$ 152,201
111,188	(253,842)	(111,236)
<u>\$ 548,313</u>	<u>\$ 84,830</u>	<u>\$ 40,965</u>

CITY OF ONAWA, IOWA

TABLE III

Fund Balances of Governmental Funds
 Last Ten Fiscal Years¹
 (modified accrual basis of accounting)

	<u>Fiscal Year</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,519,438	1,620,545	1,547,064	1,387,212	1,408,105
Total General Fund	<u>\$ 1,519,438</u>	<u>\$ 1,620,545</u>	<u>\$ 1,547,064</u>	<u>\$ 1,387,212</u>	<u>\$ 1,408,105</u>
All Other Governmental Funds					
Reserved	\$ 217,435	\$ 220,442	\$ 228,774	\$ 232,713	\$ 114,345
Unreserved, reported in:					
Debt Service Fund	-	(10,863)	(21,324)	(40,842)	(8,348)
Special Revenue Funds	846,058	521,398	100,543	391,229	525,367
Capital Projects Funds	69,756	(617,401)	(270,394)	854,744	(599,243)
Total All Other Governmental Funds ¹	<u>\$ 1,133,249</u>	<u>\$ 113,576</u>	<u>\$ 37,599</u>	<u>\$ 1,437,844</u>	<u>\$ 32,121</u>
Total Governmental Funds					
Reserved	\$ 217,435	\$ 220,442	\$ 228,774	\$ 232,713	\$ 114,345
Unreserved, reported in:	2,435,252	1,513,679	1,355,889	2,592,343	1,325,881
Total Governmental Funds	<u>\$ 2,652,687</u>	<u>\$ 1,734,121</u>	<u>\$ 1,584,663</u>	<u>\$ 2,825,056</u>	<u>\$ 1,440,226</u>

Notes:

¹ The fluctuations in the fund balance result from construction projects in which funds are borrowed in one year and spent in another fiscal year.

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,507,762	1,661,160	1,723,495	1,745,805	1,696,968
<u>\$ 1,507,762</u>	<u>\$ 1,661,160</u>	<u>\$ 1,723,495</u>	<u>\$ 1,745,805</u>	<u>\$ 1,696,968</u>
\$ 116,325	\$ 121,522	\$ 122,463	\$ 124,083	\$ 122,824
4,674	12,370	13,381	14,708	14,821
684,263	869,653	1,100,105	1,114,203	754,545
(701,834)	(466,044)	(462,151)	(510,466)	(397,118)
<u>\$ 103,428</u>	<u>\$ 537,501</u>	<u>\$ 773,798</u>	<u>\$ 742,528</u>	<u>\$ 495,072</u>
\$ 116,325	\$ 121,522	\$ 122,463	\$ 124,083	\$ 122,824
1,494,865	2,077,139	2,374,830	2,364,250	2,069,216
<u>\$ 1,611,190</u>	<u>\$ 2,198,661</u>	<u>\$ 2,497,293</u>	<u>\$ 2,488,333</u>	<u>\$ 2,192,040</u>

CITY OF ONAWA, IOWA

TABLE IV

Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years¹
(modified accrual basis of accounting)

	<u>Fiscal Year</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 1,010,540	\$ 1,124,437	\$ 1,055,853	\$ 1,128,832
Special Assessments	63,047	82,285	28,791	82,372
Licenses and Permits	21,470	28,813	26,446	34,298
Intergovernmental Revenue	468,180	497,583	496,157	469,443
Charges for Services	71,991	84,338	76,924	84,727
Fines and Forfeits	13,356	8,066	14,848	14,885
Contributions	364,420	278,773	146,917	66,161
Grants	60,000	-	-	-
Proceeds from Sale of Bonds	1,500,000	-	505,000	-
Interest	68,431	75,957	95,990	121,100
Payment in Lieu of Taxes	84,552	87,654	86,578	92,785
Miscellaneous	46,107	31,136	34,490	102,312
Total Revenues	<u>\$ 3,772,094</u>	<u>\$ 2,299,042</u>	<u>\$ 2,567,994</u>	<u>\$ 2,196,915</u>
Expenditures¹				
Public Safety	\$ 419,319	\$ 495,741	\$ 449,045	\$ 481,879
Public Works	296,917	195,237	282,362	232,819
Culture and Recreation	448,863	363,075	403,074	386,380
Community and Economic Development	153,740	359,477	95,261	86,137
General Government	153,604	140,858	162,244	127,417
Capital Projects	932,109	1,975,890	278,639	127,851
Debt Service				
Principal Retirements	60,000	145,000	645,000	150,000
Interest	67,148	85,887	81,405	71,961
Total Expenditures	<u>\$ 2,531,700</u>	<u>\$ 3,761,165</u>	<u>\$ 2,397,030</u>	<u>\$ 1,664,444</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,240,394	\$ (1,462,123)	\$ 170,964	\$ 532,471
Other Financing Sources (Uses)				
Transfers In	\$ 387,915	\$ 545,989	\$ 341,755	\$ 591,110
Transfers Out	(387,915)	(468,696)	(341,755)	(551,110)
Sale of Real Estate and Other Assets	-	-	-	15,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 77,293</u>	<u>\$ -</u>	<u>\$ 55,000</u>
Net change in fund balances	<u>\$ 1,240,394</u>	<u>\$ (1,384,830)</u>	<u>\$ 170,964</u>	<u>\$ 587,471</u>
Total Capital Expenditures from Reconciliation of Statement of Revenues, expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	1,134,661	2,413,445	445,746	157,446
Debt service as a percentage of non-capital expenditures ²	9.10%	17.13%	37.23%	14.73%

Notes:

¹ The City implemented GASB Statement No. 34 in fiscal year 2004 therefore, seven years of government-wide financial data is presented.

	Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>	
\$ 965,446	\$ 885,342	\$ 895,992	
74,235	103,828	65,997	
30,449	35,050	37,345	
474,859	500,149	527,807	
75,109	82,322	71,274	
13,934	11,636	9,773	
36,430	97,927	104,370	
-	-	-	
-	-	-	
110,437	66,164	49,132	
88,672	92,484	102,418	
195,420	69,318	69,997	
<u>\$ 2,064,991</u>	<u>\$ 1,944,220</u>	<u>\$ 1,934,105</u>	
\$ 543,171	\$ 652,694	\$ 527,035	
259,566	315,799	348,416	
410,044	489,568	509,251	
81,891	74,567	104,579	
143,970	143,245	130,196	
195,438	146,256	395,296	
165,000	175,000	175,000	
63,270	58,255	52,625	
<u>\$ 1,862,350</u>	<u>\$ 2,055,384</u>	<u>\$ 2,242,398</u>	
\$ 202,641	\$ (111,164)	\$ (308,293)	
\$ 372,796	\$ 303,972	\$ 867,760	
(360,796)	(291,972)	(855,760)	
83,325	50,000	-	
<u>\$ 95,325</u>	<u>\$ 62,000</u>	<u>\$ 12,000</u>	
<u>\$ 297,966</u>	<u>\$ (49,164)</u>	<u>\$ (296,293)</u>	
315,792	509,351	564,534	
14.76%	15.09%	13.57%	

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA

TABLE V

General Government Expenditures By Function
General, Special Revenue, Debt Service and Capital Projects Funds
Last Ten Fiscal Years

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2000-01	\$ 385,793	\$ 214,248	\$ 293,990	\$ 133,187	\$ 172,227	\$ 92,469	\$ 1,291,914
2001-02	\$ 439,022	\$ 209,693	\$ 427,963	\$ 140,767	\$ 165,595	\$ 1,706,647	\$ 3,089,687

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture & Recreation</u>	<u>Community & Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2002-03	\$ 521,334	\$ 272,125	\$ 310,817	\$ 281,796	\$ 118,987	\$ 168,878	\$ 694,118	\$ 2,368,055
2003-04	419,319	296,917	448,863	153,740	153,604	127,148	932,109	2,531,700
2004-05	495,741	195,237	363,075	359,477	140,858	230,887	1,975,890	3,761,165
2005-06	449,045	282,362	403,074	95,261	162,244	726,405	278,639	2,397,030
2006-07	481,879	232,819	386,380	86,137	127,417	221,961	127,851	1,664,444
2007-08	543,171	259,566	410,044	81,891	143,970	228,270	195,438	1,862,350
2008-09	652,694	315,799	489,568	74,567	143,245	233,255	146,256	2,055,384
2009-10	\$ 527,035	\$ 348,416	\$ 509,251	\$ 104,579	\$ 130,196	\$ 227,625	\$ 395,296	\$ 2,242,398

Note: Expenditures by function category changed in the fiscal year 2002-03.

TABLE VI

General Government Revenues By Source
General, Special Revenue, Debt Service and Capital Projects Funds
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Property Owners</u>	<u>Miscellaneous</u>	<u>Total</u>
2000-01	\$ 819,998	\$ 21,735	\$ 485,917	\$ 60,735	\$ 7,821	\$ 4,708	\$ 1,055,282	\$ 2,456,196
2001-02	928,628	35,068	846,263	56,540	15,420	22,959	251,380	2,156,258
2002-03	915,903	24,665	725,562	66,004	19,521	17,092	315,724	2,084,471
2003-04	1,010,540	21,470	468,180	71,991	13,356	63,047	2,123,510	3,772,094
2004-05	1,124,437	28,813	497,583	84,338	8,066	82,285	473,520	2,299,042
2005-06	1,055,853	26,446	496,157	76,924	14,848	28,791	868,975	2,567,994
2006-07	1,128,832	34,298	469,443	84,727	14,885	82,372	382,358	2,195,915
2007-08	965,446	30,449	474,859	75,109	13,934	74,235	430,959	2,064,991
2008-09	885,342	35,050	500,149	82,322	11,636	103,828	325,893	1,944,220
2009-10	\$ 895,992	\$ 37,345	\$ 527,807	\$ 71,274	\$ 9,773	\$ 65,997	\$ 325,917	\$ 1,934,105

CITY OF ONAWA, IOWA

TABLE VII

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
2000-01	\$ 544,579	\$ 533,282	97.93%	\$ 5,086
2001-02	568,509	555,848	97.77	5,261
2002-03	594,770	580,538	97.61	5,673
2003-04	552,236	544,837	98.66	5,634
2004-05	612,963	587,517	95.85	5,863
2005-06	702,767	682,672	97.14	4,889
2006-07	674,524	650,773	96.48	5,305
2007-08	685,857	687,004	100.17	5,660
2008-09	744,688	752,215	101.01	224
2009-10	\$ 798,699	\$ 793,710	99.38%	\$ 6,420

TABLE VIII

Assessed and Taxable Value of Property
Last Ten Fiscal Years

<u>Collection Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
2000-01	\$ 82,515,977	\$ 53,986,280	\$ 184,202	\$ 184,202
2001-02	85,284,452	57,317,876	110,247	110,247
2002-03	91,249,971	55,719,712	\$ 66,148	\$ 66,148
2003-04	91,062,986	58,404,414	-	-
2004-05	92,909,936	57,335,289	-	-
2005-06	96,444,611	60,112,322	-	-
2006-07	95,895,362	58,453,898	-	-
2007-08	96,459,442	58,325,529	-	-
2008-09	100,630,414	59,526,703	-	-
2009-10	\$ 102,400,242	\$ 59,085,451		

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 538,368	98.86%
561,109	98.70
580,211	98.56
550,471	99.68
593,380	96.81
687,561	97.84
656,078	97.84
674,760	100.99
752,439	101.04
\$ 800,136	100.18%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>	<u>City's Total Direct Rate</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>		
\$ 1,508,501	\$ 1,508,501	\$ 84,208,680	\$ 55,678,983	66.12%	11.82507
1,408,426	1,408,426	86,803,125	58,836,549	67.78	12.03710
1,308,730	1,308,730	92,624,849	57,094,591	61.64	11.92593
1,607,102	1,607,102	92,670,088	60,011,516	64.76	12.20166
406,150	406,150	93,316,086	57,741,439	61.88	13.65668
442,291	442,291	96,886,902	60,554,613	62.50	13.61467
511,068	511,068	96,406,430	58,964,966	61.16	13.97673
441,847	441,847	96,901,289	58,767,376	60.65	13.08122
476,986	476,986	101,107,400	60,003,689	59.35	13.05176
\$ 441,788	\$ 441,788	\$ 102,842,030	\$ 59,527,239	57.88%	13.24699

CITY OF ONAWA, IOWA

TABLE IX

Property Tax Rates and Tax Levies
Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

City of Onawa				
Tax Rates				
Fiscal Year	General	Special Revenue	Debt Service	Total Direct
2000-01	9.24455	1.23528	1.34524	11.82507
2001-02	9.26560	1.57065	1.20085	12.03710
2002-03	9.21345	1.51698	1.19550	11.92593
2003-04	9.67543	2.33942	0.18681	12.20166
2004-05	9.85210	1.35698	2.44760	13.65668
2005-06	9.78634	1.55807	2.27026	13.61467
2006-07	9.90098	1.77006	2.30569	13.97673
2007-08	9.68263	1.14266	2.25593	13.08122
2008-09	9.57487	1.22236	2.25453	13.05176
2009-10	9.51294	1.60857	2.12548	13.24699
Tax Levies				
2000-01	417,088	55,196	72,295	544,579
2001-02	428,331	71,903	68,275	568,509
2002-03	451,805	73,740	69,225	594,770
2003-04	436,736	104,636	10,864	552,236
2004-05	422,140	57,695	138,675	618,510
2005-06	493,315	78,000	137,475	708,790
2006-07	463,548	82,164	135,955	681,667
2007-08	495,282	58,000	132,575	685,857
2008-09	540,856	68,552	135,280	744,688
2009-10	570,320	95,754	132,625	798,699

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100 percent basis) effective July 1, 1976.

Limitation does not include debt service.

Taxes Due July 1.

Taxes Delinquent First Half - October 1; Second Half - April 1.

Penalties for Delinquency: 1 Percent per month.

Discount Allowed: None

Uncollected Taxes Handled as Follows: Delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Monona County and distributed to the City of Onawa in proportion of its levy to all levies.

Tax Sale Date: First Monday in June.

Overlapping					
Tax Rates					
West Monona School	Monona County	Western Iowa Tech	State Levy	Total Overlapping	Total Direct and Overlapping
10.74693	5.36311	0.60985	0.00500	16.72489	28.54996
10.91229	6.29521	0.62121	0.00500	17.83371	29.87081
10.95505	6.45078	0.94866	0.00400	18.35849	30.28442
11.84505	6.38161	0.54141	0.00400	18.77207	30.97373
12.34320	6.86233	0.57204	0.00400	19.78157	33.43825
13.38780	7.06811	0.69873	0.00400	21.15864	34.77331
15.68733	7.11172	0.71282	0.00400	23.51587	37.49260
15.80332	7.16224	0.73555	0.00350	23.70461	36.78583
14.83407	8.21534	0.82762	0.00350	23.88053	36.93229
15.05894	7.71758	0.82137	0.00300	23.60089	36.84788
Tax Levies					
598,378	298,613	33,956	278	931,225	1,475,804
642,041	370,388	36,550	294	1,049,273	1,617,782
634,348	373,530	54,932	232	1,063,042	1,657,812
710,839	382,970	32,491	240	1,126,540	1,678,776
712,714	396,240	33,030	231	1,142,215	1,760,725
810,693	428,007	42,311	242	1,281,253	1,990,043
925,003	419,342	41,442	236	1,386,023	2,067,690
928,720	420,906	43,226	207	1,393,059	2,078,916
890,099	492,951	49,660	210	1,432,920	2,177,608
896,417	459,406	48,894	179	1,404,896	2,203,595

CITY OF ONAWA, IOWA

TABLE X

Special Assessment Collections
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Current Assess- ments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount</u>	<u>Total Outstanding Assessments Due</u>
2001-02	\$ 140,038	\$ 19,792	14.13%	\$ 120,246
2002-03	120,246	12,029	10.00	108,217
2003-04	174,527	46,788	26.81	127,739
2004-05	127,739	36,693	28.72	91,046
2005-06	148,005	29,471	32.37	118,534
2006-07	184,465	30,030	26.10	191,787
2008-09	292,046	90,455	30.97	201,591
2009-10	\$ 210,254	\$ 51,968	24.72%	\$ 158,286

CITY OF ONAWA, IOWA

TABLE XI

Ratio of Net General Obligation Bonded Debt
to Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Popula- tion</u>	<u>Taxable Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Net Taxable Value</u>	<u>Net Bonded Debt to Per Capita</u>	<u>% of Personal Income</u>
2000-01	3,091	\$ 55,678,983	\$ 972,857	\$ 1,872	\$ 970,985	.017 to 1	\$ 314.13	1.75%
2001-02	3,091	58,836,549	847,143	-	847,143	.014 to 1	274.07	1.53
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10	1.28
2003-04	3,091	60,011,516	2,151,429	-	2,151,429	.036 to 1	696.03	3.88
2004-05	3,091	57,741,439	1,995,715	-	1,995,715	.035 to 1	645.65	3.60
2005-06	3,091	60,554,613	1,845,000	4,674	1,840,326	.035 to 1	595.38	3.32
2006-07	3,091	58,964,966	1,695,000	12,370	1,625,630	.028 to 1	525.92	2.93
2007-08	3,091	58,767,376	1,530,000	13,381	1,516,619	.026 to 1	501.90	2.74
2008-09	3,091	60,003,689	1,355,000	14,708	1,340,292	.022 to 1	433.61	2.42
2009-10	3,091	\$ 59,527,239	\$ 1,180,000	\$ 14,821	\$ 1,165,179	.020 to 1	\$ 376.96	2.10%

Note:

City-wide personal income data from the year 2000 in the amount of \$55,415,448, from Table XVI, was used to calculate the net bonded debt as a percentage of personal income.

CITY OF ONAWA, IOWA

TABLE XII

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 4,210,229	\$ 4,340,156	\$ 4,631,242	\$ 4,633,504	\$ 4,665,804
Total Net Debt Applicable to Limit	970,985	847,143	711,249	2,151,429	1,995,715
Legal Debt Margin	\$ 3,239,244	\$ 3,493,013	\$ 3,919,993	\$ 2,482,075	\$ 2,670,089
Total Net Debt Applicable to the Limit as a percentage of debt limit	23.06%	19.52%	15.36%	46.43%	42.77%

TABLE XIII

Computation of Legal Debt Margin
June 30, 2010

Assessed Property Value	
Total Real Estate and Corporation	<u>\$ 102,842,030</u>
Debt Limit - 5% of Total Actual Valuation	\$ 5,142,102
Amount of Debt	
Applicable to Debt Limit:	
Total Bonded Debt	<u>1,180,000</u>
Legal Debt Margin	<u>\$ 3,962,102</u>

Note: Under Title IX, Subtitle 2, Chapter 358C, Paragraph 16 of the State of Iowa Code, the City's debt limit should not exceed 5% of the estimated value of the taxable property within the district.

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 4,817,537	\$ 4,820,322	\$ 4,845,064	\$ 5,055,370	\$ 5,142,102
1,845,000	1,695,000	1,530,000	1,355,000	1,180,000
\$ 2,972,537	\$ 3,125,322	\$ 3,315,064	\$ 3,700,370	\$ 3,962,102
38.30%	35.16%	31.58%	26.80%	22.95%

CITY OF ONAWA, IOWA

TABLE XIV

Computation of Direct and Overlapping Debt
June 30, 2010

<u>Name of Governmental Unit</u>	<u>Percentage Applicable Net Debt* Outstanding</u>	<u>To This Governmental Unit</u>	<u>City of Onawa Share of Debt</u>
City of Onawa, Iowa	\$ <u>1,165,179</u>	100%	\$ <u>1,165,179</u>
Total	\$ <u>1,165,179</u>		\$ <u>1,165,179</u>

* Net debt outstanding is total bonds outstanding less funds available for debt service.

TABLE XV

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2000-01	\$ 115,000	\$ 57,227	\$ 172,227	\$ 851,002	20.24%
2001-02	115,000	50,595	165,595	931,644	17.77
2002-03	125,000	43,878	168,878	1,024,885	16.48
2003-04	60,000	67,148	127,148	1,081,972	11.75
2004-05	145,000	85,887	230,887	1,027,126	22.48
2005-06	140,000	81,405	221,405	1,009,479	21.93
2006-07	150,000	71,961	221,961	1,060,756	20.92
2007-08	165,000	63,270	228,270	1,129,546	20.21
2008-09	175,000	58,255	233,255	1,316,205	17.72
2009-10	\$ 175,000	\$ 52,625	\$ 227,625	\$ 1,294,023	17.59%

CITY OF ONAWA, IOWA

TABLE XVI

Demographic Statistics

	(1)	(4)	(1)	(1)	(2)	(3)
<u>Per Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Monona County Unemployment Rate</u>
1970	3,154	\$ 8,386,486	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	23,532,544	7,168	39.2	833	5.4 %
1990	2,936	31,785,136	10,826	43.2	733	4.2 %
2000	3,091	\$ 55,415,448	\$ 17,928	42.3	679	3.1 %

Sources:

- (1) Bureau of Census
- (2) Annual School Census
- (3) Iowa Department of Job Service
- (4) Computation of Per Capita Income multiplied by Population

CITY OF ONAWA, IOWA

TABLE XVII

Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank Deposits (2) (3)
	No. of Units	No. of Value	Units	Value	(in Thousands)
2000-01	(6)	\$ 1,371,424	3	\$ 1,350,230	\$ 82,253
2001-02	(3)	2,229,289	3	3,543,752	83,553
2002-03	(3)	(24,634)	(7)	641,368	83,867
2003-04	(2)	(28,771)	(3)	2,585	93,954
2004-05	21	3,125,585	(1)	(267,178)	85,037
2005-06	(1)	(233,809)	(2)	559,460	95,877
2006-07	(1)	496,074	(1)	4,585,830	100,527
2007-08	7	2,342,800	(3)	947,866	116,173
2008-09	(1)	171,622	3	380,875	112,534
2009-10	1	\$ 60,000	5	\$ 462,000	\$ 102,953

The 2004-2005 information includes annexed property (including land).

(1) Includes new construction and remodeling.

(2) Combined deposits in three banks through 2005-2006 (Source: Bank Financial Statements).

(3) Combined deposits in four banks for 2006-2007 and after (Source: Bank Financial Statements).

TABLE XVIII
Principal Taxpayers
June 30, 2010
Last Ten Fiscal Years

<u>Taxpayer</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Western Iowa Cooperative	\$ 1,245,215	\$ 817,395	\$ 807,245	\$ 750,422	\$ 1,659,824
Regal Manors of Onawa, Inc.	1,024,866	1,704,029	2,302,542	2,319,778	2,299,145
Onawa – Pam Limited Partnership	1,287,090	1,207,409	1,198,438	1,207,409	1,146,494
Westendorf, Inc.	834,117	1,140,984	1,140,984	1,140,984	1,061,653
Vetter Equipment	947,039	1,064,754	1,007,459	1,015,000	1,015,000
Bradley Properties, LLC					824,000
Matthew and Christine Westendorf					
Richard Stillman					
NILS Holdings LLC	546,569	750,422	744,846	813,288	738,098
NFG, LLC.				743,744	
Timothy and Brenda Peters					
Brett and Debra Ewing		723,069	574,607	896,335	647,179
Sarah and Derek Cartmill				821,460	629,559
Longlines, Inc.				688,429	
James W & Diane P Stangel					597,279
Cargill, Inc.	1,006,257	743,744	1,032,330		
Burgess Health Center	684,314	584,959	580,613		
Leon and Carolyn Larson			532,069		
McDonalds Corporation		499,536			
Oni L. P.	721,289				
Firstar Bank Midwest	503,889				
	<u>\$ 8,800,645</u>	<u>\$ 9,236,301</u>	<u>\$ 9,921,133</u>	<u>\$ 10,396,849</u>	<u>\$ 10,618,231</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
\$	1,659,824	\$ 1,688,462	\$ 2,359,905	\$ 3,054,167	\$ 3,330,662	3.24%
	2,299,145	2,299,145	2,621,918	2,527,859	2,724,305	2.65%
	1,146,494	1,146,494	1,103,855	1,061,214	1,124,887	1.09%
	1,061,653	1,061,653	1,009,529	1,009,529	1,009,529	0.98%
	850,000	850,000	850,000	850,000	890,817	0.87%
	824,000	824,000	824,000	824,000	873,662	0.85%
			695,615	771,906	771,906	0.75%
			824,040	912,678	762,665	0.74%
	738,098	738,098	724,983	711,870	754,582	0.73%
					754,007	0.73%
				626,651		
	647,179	647,179	659,824			
	629,559	629,199				
		593,720				
	597,279					

\$	10,453,231	\$	10,477,950	\$	11,673,669	\$	12,349,874	\$	12,997,022	12.63%
----	------------	----	------------	----	------------	----	------------	----	------------	--------

CITY OF ONAWA, IOWA

TABLE XIX

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function										
General Government	4	4	4	4	4	4	4	4	4	4
Library	2.4	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.6	3.5
Public Safety										
Police										
Officers	6	6	6	6	6	6	6	6	6	6
Fire										
Volunteers	24	24	24	24	24	24	24	24	25	22
Highways and Streets										
Street Maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Culture and Recreation	4.75	6	6	6	7	7	7	7	7	7
Electric	4	4	4	4	4	4	4	4	4	4
Water	3	3	3	3	3	3	3	3	3	3
Sewer	3	3	3	3	3	3	3	3	3	3
	<u>52.7</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>55</u>	<u>55.1</u>	<u>55.1</u>	<u>55.1</u>	<u>56.1</u>	<u>54</u>

Source: City of Onawa Accounting Department

The actual number of volunteers

CITY OF ONAWA, IOWA

TABLE XX

Principal Employers
June 30, 2010

Employer	Employees		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Burgess Health Center	221	245	250
West Monona School District	101	110	128
Monona County	110	110	109
Elmwood Care Center	85	89	81
Westendorf Manufacturing, Inc	75	74	74
City of Onawa	71	65	64
McDonald's Restaurant	49	55	47
Vaughn Foods	40	38	39
Crossroads of Western Iowa	41	50	38
Stangel Pharmacy	26	35	34

Source: Monona County Economic Development Partnership
Iowa Area Development Group and direct
communication with employers.

Note: Comparative data for 2002-2007 is not currently available
The total employment of the City of Onawa is not available

CITY OF ONAWA, IOWA

TABLE XXI

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Police					
Physical Arrests	130	201	183	174	154
Parking Violations	27	33	94	48	203
Traffic Violations	240	526	461	462	174
Fire					
Number of Calls Answered	50	58	41	43	46
Highways and Streets					
Street Maintenance (Miles)	39	39	39	40	40
Street Reconstruction (Blocks)	-	15	2	10	19
Building Permits					
Number	129	121	106	88	87
Value	1,379,447	4,397,493	1,851,757	3,717,616	4,841,880
Permit Fees	3,820	4,715	4,785	2,000	3,315
Water					
Water Pumped (in thousands of gallons)	169,353	170,959	178,120	183,600	177,991
Water Billed (in thousands of gallons)	101,881	101,960	104,466	107,433	96,013
Percent Accountable	60%	60%	59%	59%	54%

Source: City of Onawa Accounting Department

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
136	190	117	81	76
47	24	7	7	4
222	183	133	119	191
64	47	54	38	32
40	40	32	32	32
14	17	12	5	2
81	67	77	87	95
1,904,285	5,353,689	3,290,666	919,105	1,103,609
4,565	2,420	3,325	3,020	4,210
193,084	173,487	159,913	169,416	177,128
103,043	99,765	97,374	97,568	91,268
53%	58%	61%	58%	52%

CITY OF ONAWA, IOWA

TABLE XXII

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Police					
Stations	1	1	1	1	1
Patrol Units	6	6	6	6	6
Fire Stations	1	2	2	2	2
Highways and Streets					
Streets City Maintained (miles)	39	39	39	40	40
Culture and Recreation					
Parks	4	4	4	4	4
Swimming Pools	1	1	1	1	1
Libraries	1	1	1	1	1
Community Centers	0	0	1	1	1
Airports	1	1	1	1	1
Golf Courses	1	1	1	1	1
Cemetery					
Cemeteries (acres)	21	21	21	21	21
Water					
Water Mains (miles)	n/a	n/a	n/a	n/a	28
Number of Service Connections	1,365	1,381	1,389	1,389	1,384
Daily Ave. Consumption in Gallons	463,865	468,271	453,761	501,546	485,912
Fire Hydrants	n/a	n/a	n/a	n/a	n/a
Maximum Daily Capacity (thousands in gallons)	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
Sewer					
Sanitary Sewer (miles)	n/a	n/a	n/a	n/a	39.5
Number of Treatment Plants	1	1	1	1	1
Number of Service Connections	1,337	1,355	1,361	1,361	1,355
Daily Ave. Treatments in Gallons	279,756	248,089	252,396	264,406	241,986
Maximum Daily Capacity (thousands in gallons)	852,000	852,000	852,000	852,000	852,000

Source: City of Onawa Accounting Department

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1
6	6	6	6	6
2	2	2	2	2
40	40	40	32	32
4	4	4	4	4
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
21	21	21	21	21
28	28	28	28.5	40
1,385	1,391	1,394	1,398	1,494
527,396	473,807	438,118	464,153	485,304
n/a	96	96	99	100
1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
39.5	39.5	39.5	39.5	39.75
1	1	1	1	1
1,356	1,364	1,368	1,373	1,388
262,988	230,645	264,967	253,145	417,047
852,000	852,000	852,000	852,000	852,000

CITY OF ONAWA, IOWA

TABLE XXIII

Miscellaneous Statistics
June 30, 2010

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	5.3 Sq Miles
Miles of Streets	31.5
Number of Street Lights	414
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	22
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	6
Education:	
Number of Schools	1 Public (Elementary, Middle, High School Early Childhood Development)
Municipal Water Department:	
Number of Consumers	1,494
Average Daily Consumption	485,304 Gallons
Miles of Water Mains	40 Miles
Miles of Sewers:	
Sanitary Sewers	39.75 Miles
Lift Stations	4
Building Permits Issued 2007-08	95
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	28,630
Total Library Circulation	25,374

COMMENTS AND RECOMMENDATIONS

CITY OF ONAWA, IOWA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

Status of Prior Audit Findings

II-A-09 Segregation of Accounting Functions

Condition - The finding was a material weakness stating that the City does not have an adequate segregation of duties in its accounting functions regarding cash receipts.

Recommendation - The auditor recommended that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Current Status - The City did not correct this weakness, and it is renumbered below as II-A-10.

III-A-09 Certified Budget

Condition - The finding was disbursements exceeding the amount budgeted in the Public Safety and Culture and Recreation functions.

Recommendation - The auditor recommended that the budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the budget.

Current Status - The City did not correct this audit finding, and it is renumbered below as III-A-10.

III-H-09 Financial Condition

Condition - The finding was fund deficits in several individual funds.

Recommendation - The auditor recommended the City monitor these funds and investigate alternatives to eliminate these deficits.

Current Status - The City did not correct this audit finding, and it is renumbered below as III-H-10.

CITY OF ONAWA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary Of the Independent Auditors' Results

- A. Unqualified opinions were issued on the financial statements.
- B. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and is considered a material weakness.
- C. The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Reportable Condition:

II-A-10 Segregation of Accounting Functions

Observation – An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations – We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response – Due to the limited number of personnel in the office, it is not feasible at this time to break down the segregation of duties any further.

Conclusion – We realize that there are a limited number of personnel available and we accept the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

Instances of Non-Compliance:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the Capital Projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The City should monitor expenditures so that the budget may be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response – The City will monitor expenditures so that budgets may be amended before disbursements exceed the budgeted amounts, if applicable.

Conclusion – Response accepted.

III-B-10 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense – No expenditures of City money for travel expense of spouses of City officials or employees were noted.

III-D-10 Business Transactions – No significant transactions between the City and City officials or employees were noted.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Closed sessions appear to have been handled and documented according to Chapter 21 of the Code of Iowa.

III-G-10 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-10 Financial Condition – There were fund deficits in the following individual funds at June 30, 2010:

Special Revenue – TIF	\$ 96,534
Special Revenue – Employee Benefits	\$ 20,802
Capital Project – Library Expansion	\$ 21,268
Capital Project – 2010 Street Project	\$ 241,445
Capital Project – 2009 Street Project	\$ 40,796
Capital Project – Fire Station	\$ 106,365

Recommendation – The City should monitor these funds and investigate alternatives to eliminate these deficits.

Response – The City intends to finance these deficits from various resources including general funds, special assessments to be collected, and future property tax levies.

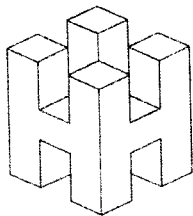
Conclusion – Response accepted.

III-I-10 Water Loss – The percentage water loss calculated was significantly greater than the allowable rate set by the Iowa Department of Natural Resources.

Recommendation – The City should ensure all usage locations are metered and all meters are read on a routine basis. In addition, the City should attempt to locate major leaks and repair or replace as necessary.

Response – The City is in the process of trying to identify potential leaks in the water system and are continually replacing water meters, and doing a major pool repair project to identify the problem.

Conclusion – Response accepted.



HENJES, CONNER &
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

800 FRANCES BUILDING
505 FIFTH STREET
P.O. BOX 1528
SIOUX CITY, IOWA 51102

PH. (712) 277-3931
(800) 274-3931
FAX (712) 233-3431

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Onawa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon date December 6, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Onawa, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Onawa, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Onawa, Iowa's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Onawa, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Onawa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under Government Auditing Standards. These instances are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Onawa, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Onawa, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Onawa and other parties to whom the City of Onawa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Onawa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hoyja, Comer, & Williams, P.C.

Certified Public Accountants

Sioux City, Iowa
December 6, 2010